In The

Supreme Court of the United States

October Term, 1978

No. 78-767

United States of America,

Appellant,

—*v.*—

The Connecticut National Bank, The First New Haven National Bank, and James B. Smith, Comptroller of the Currency

Appellees.

On Appeal From the United States District Court for the District of Connecticut

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Jurisdictional Statement Filed November 14, 1978
Probable Jurisdiction Noted January 8, 1979

IN THE

Supreme Court of the United States

OCTOBER TERM, 1973

No. 73-767

UNITED STATES OF AMERICA,
Appellant,

—v.—

THE CONNECTICUT NATIONAL BANK, THE FIRST NEW HAVEN NATIONAL BANK, AND JAMES E. SMITH, COMPTROLLER OF THE CURRENCY

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF CONNECTICUT

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[1678]

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF CONNECTICUT

Civil Action No. 14,583

UNITED STATES OF AMERICA, PLAINTIFF

vs.

THE CONNECTICUT NATIONAL BANK and THE FIRST NEW HAVEN NATIONAL BANK, DEFENDANTS

and

WILLIAM B. CAMP, COMPTROLLER OF THE CURRENCY, INTERVENOR

United States Court House
915 Lafayette Boulevard
Bridgeport, Connecticut
November 7, 1972

Before:

Hon. ROBERT C. ZAMPANO, U.S.D.J.

[1679] Appearances:

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UNITED STATES TREASURY DEPARTMENT
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Washington, D.C.
By: CHARLES H. McENERNEY, JR., Trial Attorney
FORD BARRETT, Trial Attorney

[1680] THE COURT: Are the parties ready to proceed?

MR. REYCRAFT: Yes, your Honor.

James Terzakis.

JAMES TERZAKIS, having been previous duly sworn, resumed the stand and testified further as follows:

DIRECT EXAMINATION CONTINUED

BY MR. REYCRAFT:

Q Mr. Terzakis, following your testimony of last week, did you prepare an exhibit concerning the pro forma divestiture of First New Haven's Darby and CNB's Orange and Milford offices?

A Yes, I did.

Q I show you—

MR. REYCRAFT: Let me have marked for identification as Defendants' Exhibit No. 71— 73—

Q I show you Defendants' Exhibit 73 for identification and ask you to describe that exhibit?

A What we did on this exhibit was—similar to the original pro forma divestiture which included all six offices but in this case, we added in the branch data from

Devon and Post [1681] Center office so that the net effect of this was the pro forma divestiture of the three contracted branch offices.

Q And what does it show, Mr. Terzakis?

A Well, the data on the right-hand side of the column on the pro forma divestiture increased to 1,041 accounts or 1.62% of the total number of accounts, and $1,673,800.00 or 1.34% of the total dollars there, a net increase of .30% in terms of number of accounts.

Q Mr. Terzakis, do you have with you statements of condition of—

A Yes.

Q —CB&T and Hartford National Bank? Referring—

THE COURT: I'm sorry, I'm still on this 73. Would you go over that again, please?

THE WITNESS: Yes, sir. The original exhibit, your Honor, was for the divestiture of six offices—this was last Thursday's testimony.

THE COURT: Right.

THE WITNESS: —giving the pro forma divestiture of six offices, three of First New Haven and three of Connecticut National.

This is a new exhibit which was prepared over the weekend which shows, at your request, what the pro forma divestiture would look like for just the [1682] three contracted branch offices.

THE COURT: All right. Now, what do the—for example, column number of accounts, 11,942, what does that mean?

THE WITNESS: Well, that's the actual data that we had from Connecticut National Bank office towns for those towns in New Haven County and Fairfield County where they have offices.

THE COURT: But I mean, what does it mean? Does that mean 11,942 accounts will be—

THE WITNESS: No, sir, that's the number of accounts we had actually in our bank. That's the actual data, and then on the right-hand side it shows what it would look like with the divested three branches.

MR. REYCRAFT: These are accounts, your Honor, of the First New Haven National Bank which are from

towns in which Connecticut National Bank has offices. That is: 11,942.

THE COURT: So, that the divestiture means that they will have 1,040 accounts less after the divestiture?

THE WITNESS: That's the net of what we would have after the divestiture.

[1683] MR. REYCRAFT: Over 10,000 less.

THE WITNESS: 10,000 less.

THE COURT: All right, and then percentage of total?

THE WITNESS: Yes, your Honor, that's the—we show two percentages. One is the percent of the number of accounts remaining, and the percent of the number of dollars remaining after divestiture.

BY MR. REYCRAFT:

Q What percentage of accounts of First New Haven would remain in Connecticut National Bank office towns after the divestiture of the three branches which are now under contract?

A 1.62% of the number of accounts.

Q And what percentage of the deposits, IPC demand deposits of the First New Haven National Bank, would remain in Connecticut National Bank office towns after the divestiture of the three contracted offices?

A 1.34%.

Q And last week you testified with reference to D-6 concerning the pro forma effect of divestiture of six branches, that is: three under contract and three which are not under contract?

A That is correct.

Q Will you compare those figures in D-6 to those [1684] in D-73? And that is a comparison between a divestiture of three banks, three offices under contract, and three under contract plus three which are not under contract?

A Okay. On the left-hand side of the column it is actually the same data for both tables, 11,942 accounts. Reading across for the first four columns, that did not change.

In D-6 it showed what the divestiture would have been

if six branches were sold, and in the new table it shows only for the—what the divestiture would look like for the three sales of branches under contract.

Q So that for the percentage of the number of accounts remaining of First New Haven in towns in which Connecticut National Bank has offices, how much difference is there between the divestiture of three branches under contract and the total of six branches, including the three under contract from the three which are not under contract?

A Okay. The net difference here between the three and the six is that the number of acounts—the percentage of the number of accounts increased .30%. And in terms of dollars, the net increase was .08%.

Q So that the three branches which are not under contract would only contribute that amount—that small percentage which you have just described of elimination of overlapping accounts?

A That is correct, Mr. Reycraft.

[1685] MR. REYCRAFT: Would you mark for identification as Defendants' Exhibit No. 74 a document entitled: Interim Report to Shareholders, September 30, 1972, CBT Corporation and its Subsidiaries, the Connecticut Bank and Trust Company and others.

Q Mr. Terzakis, do you have a copy of D-74?

A I have Connecticut National and CBT, but not Second New Haven.

Q Mr. Terzakis, referring to D-74, what does it show with respect to the change, if any, in the total assets of CB&T between September 30 of 1971 and September 30 of 1972?

A Well, what this document shows is a consolidated statement of condition of that bank, including an income statement, and I think the particularly significant point here that—that I don't think has been brought out in these proceedings is that these banks have shown quite a rapid increase in total assets.

In the case of CBT, they increased approximately a hundred and eighty-three million dollars in one year from September 30th, '71 to September 30th of '72.

In the case of Hartford National—

Q Just a moment, please.

MR. REYCRAFT: Will you mark as Defendants' Exhibit No. 75 a document headed: Hartford National [1686] Corporation Interim Report and Dividend Notice, September 30, 1972.

[1687] BY MR. REYCRAFT:

Q Mr. Terzakis, referring to D-75, which is the Hartford National exhibit, what does it show concerning the change in the past year?

A Well, in a similar vein, this shows that Hartford National Corporation increased their total assets from one million—1,289,000,000 to 1,485,000,000, or a net increase of approximately $196,000,000. And I think the point that has to be made regarding each of these banks is that that increase in total assets is almost the size of the tenth largest commercial bank in the State of Connecticut, which is Second New Haven Bank, with assets of 219,000,000. And that's just a one-year increase.

This is typical of how these two large Hartford banks have been increasing, anywhere from a hundred to two hundred million in assets each year.

MR. REYCRAFT: Will you mark as Defendants' Exhibit No. 76 a statement of condition dated September 30, 1972, for the Second New Haven Bank.

THE COURT: On both these exhibits I notice in writing—for example, on 74 it says "Plus 183 MM," and then on 75 "Plus 196 MM."

Did you write that in?

THE WITNESS: Yes, I did.

[1688] THE COURT: What does that mean?

THE WITNESS: That just shows the increase in the—

THE COURT: Oh, I see.

THE WITNESS: —in the assets.

THE COURT: All right.

THE WITNESS: I might—

A (Continuing) Mr. Reycraft, I might add that in 1961 CBT was a $507,000,000 bank and Hartford National was a $514,000,000 bank, so that they have increased their assets almost threefold in about eleven or twelve years.

Q Mr. Terzakis, are you familiar generally with the profitability of First New Haven National Bank's branches?

A Yes, sir, I am.

Q What has been the experience of First New Haven National Bank in the profit potention of opening new branches and the profitability of existing branches?

A Well, in 1971, year end, regarding our 22 offices, we had a total of nine offices that were still showing losses, and these nine offices aggregated some $525,000 in losses. The other offices were profitable to varying degrees.

Q Has First New Haven established any inner city branches knowing that they might not be profitable?

[1689] A Yes, sir, they have. Within the context, I believe, of your definition of inner city branches, I believe what you mean is whether we serve large groups of minority people. We have what I would consider two branches that can be considered inner city branches. These are the Dixwell Plaza office and our Howard Avenue office but in the City of New Haven.

Q What were the circumstances under which those two offices were established?

A Well, in the case of the Dixwell Plaza office, you perhaps recall that in 1967 and 1968 New Haven was—had undergone some civic disorders, and our board of directors was extremely interested in locating a branch in the Dixwell Avenue area, and they had directed our senior management to research for the possibility of placing a branch in the Dixwell Avenue area. We—I conducted that research, and we had decided to place a branch there to serve the Black community more directly.

Now, in the Dixwell Avenue area at that time there were approximately 75 percent of the population was composed of Black residents. In the Howard Avenue section, which is also an inner city area, we had approximately one-third of the residents were either Spanish-speaking or Black. And we have placed branches in both those locations.

[1690] I think that the directors' thinking on this was

that they felt a moral and civic obligation to place those branches there. This was a special case. We knew in advance that the payback on these branches would be very long indeed, and yet they—despite the fact that they could have other avenues of investing these dollars more profitably—but they felt that they wanted to serve the Black communities in both those areas directly, and we put in branches in both areas.

Q Mr. Terzakis, for a bank which wanted to serve the business community of New Haven, based upon your experience and knowledge of business conditions in the City of New Haven, in your opinion where would it be necessary to establish a branch or branches, assuming it was legally possible.

A Mr. Reycraft, my feeling on that is that if a bank wants to come in the City of New Haven and it has not served that city in the past as part of its market area, it has to acquire one of the existing, known, if in fact they do exist, smaller banks.

And if we say, for example, whether a bank acquires the Woodridge Bank & Tust Company, would they serve the City of New Haven directly, I do not think they will. They would serve the peripheral area which abuts the Woodridge [1691] town line, and they would pick up some customers there. But, if they wanted to serve the downtown area, which is often called the CBD, the central business district, they would have to locate on Church Street.

Q What is the importance of being located on Church Street, in your opinion?

A Well, the importance is that—first of all, let me read what the definition is of a CBD. This is from the Census Bureau, and this is how they define a CBD:

"It is an area of very high land valuation, an area characterized by a high concentration of retail businesses, offices, theaters, hotels and service businesses, and an area of high traffic flow."

And they also require that the CBD ordinarily should be defined to follow existing census tract lines.

Now, in the case of New Haven, the CBD is defined as that downtown area encompassed within the boundaries

of the Oak Street Connecter, York, High, Chapel, Church, Grove and Olive Streets, so it's a fairly concentrated area. It does not extend out, for example, out to Whalley Avenue or Whitney Avenue. And what we find here is the headquarters of a large number of major corporations; for example, the Southern New England Telephone Company, the UI Company, the New Haven Water Company, the Knights of Columbus. [1692] These are all located in the central business district, and, in my opinion, if you want to serve these companies directly, you have to be there with a competitive presence.

Q Are there sources of business in the central business district other than corporation business which it is necessary to be downtown to serve?

A Yes, sir. We find—and I think this is probably true in most central city areas—that most of the law firms locate in the downtown area. Now, this is excellent in terms of acquiring trust accounts. By law, the trust department of a bank cannot draw up personal wills, but we can offer advice and counsel to prospective trust customers provided their legal counsel is present, and he in fact would draw up the will.

And these are—these, along with insurance people and real estate brokers, are excellent sources of referral for business.

Q Mr. Terzakis, did you participate in the preparation of a memorandum with the heading "We Have A Plan" concerning holding company expansion?

A Yes, sir, I did.

MR. REYCRAFT: This is P-99. This is Government Exhibit P-99.

Q Can you tell me the circumstances under which that [1693] memorandum was prepared?

A Yes, sir.

Mr. Johnson, who is now president of the Connecticut Savings Bank, was, about the period of 1966 through 1969, working with me as a vice-president for the First New Haven Bank, and, in addition to his other duties, his principal duty was to work with architects and contractors in the construction of new branches. Our relationship was close, because I was recommending new

locations, and when these were approved by the Comptroller of the Currency he would in fact pick it up from there to establish these branches.

We were both quite concerned at that time about the rapidly accelerating cost of branches, and, for example, costs were going up, for example, in construction costs about 10 percent a year, and this was pretty steady through that three- or four-year period. It's still going on now. Land acquisition costs were rapidly rising, building material costs were going up about 10 percent a year, and I felt that—we both felt that we would be priced right out of the branch banking markets.

So I thought, well, how can we overcome this, and I thought about the mini branch concept, which, in effect, really is, instead of building a, say, three- or four-
[1694] thousand-square-foot branch building, we built, say, an eight- or nine-hundred or a thousand square foot building. His thinking ran along the same lines as mine.

We also were wondering at that time—we used to have discussions—how we might be able to help the bank grow. Our management constantly encouraged suggestions from its official staff and its employees. And oddly enough I think we were both thinking about the same thing. We were thinking, for example, how could we get into closed towns, and in relation to what the banking laws were at that time.

He said, "Why don't you put that into a memo and let's take a look at it, and I will compare it against my thoughts," meaning Mr. Johnson's. I did this, and following some additions and some deletions, we submitted it to the senior management for their perusal.

I had emphasized to Mr. Johnson that I did not want to get involved in an in-depth study of this whole question until I had a way of testing management's reaction to this memo, so that's—the memo, as it appears in the exhibit, is the way it was finally given to senior management.

Q In that general memorandum, did you give any consideration to the personnel requirements?

A No, sir, I did not.

[1695] Q Or the capital requirements?

A No, sir.
Q Or regulatory problems?
A No, sir.
Q Or bank security?
A No, sir. I knew that they existed.
Q Pardon me?
A I knew that these were problems that existed.
Q Page 8 of your memorandum contains a sentence, "What are some of the problems," and you list personnel, money, incorporators, regulatory obstacles, bank security and operations?
A Yes. I recognized that these were problems, but there was no in-depth analysis of how many people would be required, for example.
Q Did your management ever take any action on this memorandum?
A No, sir, they did not. And I think that management's principal concern was the legal barrier.
MR. REA: Your Honor, I object unless it can be shown he is aware of what management's decisions were. As I understand, he has not been a part of management, nor has he attended board of directors meetings.
[1696] THE WITNESS: Can I clarify that?
THE COURT: Let Mr. Reycraft do it.

BY MR. REYCRAFT:

Q Mr. Terzakis, did you have any opportunity, following the submission of this memorandum, to discuss it with any member of the management of First New Haven National Bank?
A Yes, sir.
Q With whom?
A Mr. Johnson and I had one meeting with Mr. Chadwick and I believe Mr. Hooker, and we discussed this in detail. They had an opportunity to read it, and, as I say, their principal concern was the legal barrier, among other problems.
Q Were there any other meetings in which you participated with senior management?
A There were no other meetings with senior management, and I believe I recall Mr. Chadwick testifying that

it was never submitted to the board of directors or to the executive committee of the board.

Q Do you have any personal knowledge of any other meetings or discussions concerning this memorandum in the bank?

A Not this particular memorandum. There were none. [1697] I might also add, Mr. Reycraft, that this was solely our own thinking. It was not a charge from management that we produce this memo. It was one of our ideas, and we submitted it as a suggestion.

Q Mr. Terzakis, I believe you have heard testimony concerning the need for a larger lending limit.

Can you think of any other reasons where a larger limit would be beneficial to various groups of customers?

A Yes, sir.

Perhaps you recall that Mr. Hawley of Connecticut National Bank had mentioned that with their corporate customers, when they have approved credit lines for their customers and if this line is not being used, they require a 10 percent compensating balance, and in the case of where it is being used it's 15 percent.

Well, in our case it is 10 percent for a nonused credit line and 15 to 20 percent if the line is used. This is negotiable depending on how—how badly you want the account and how profitable we think it will be.

So that if we—for example, the legal limit which—our legal limit is 2.4 million—were doubled approximately—let's, for the sake of example, say it was five million for the consolidated bank; this would mean that the 10 and 15 percent requirements would also be [1698] doubled. The percentages stay the same but the dollars increase.

What this would mean would be also that we could better serve these corporate customers. It would also mean that the ones who are presently going out of state to the major money market banks for their loan commitments—some of that money would be repatriated.

Now, in fact of repatriating this money, just want to emphasize that that money originally belonged here in Connecticut. It was generated here in Connecticut, and we wanted to bring it back, and with a larger lending

limit we could bring back some of those dollars, which, in turn, could be reinvested in new plant and equipment.

This would mean added jobs for the local residents; it would mean higher disposable personal income, increased retail sales. It would boost the local economies considerably.

The other thing it would do is that—say, for example, in the case of the 10 percent line, where it's not being used, those balances would be doubled in terms of dollars. All of these dollars would also be available for personal loans and installment loans to families and individuals. So in that sense it helps not only corporations but also the local people in the community.

[1699] MR. REYCRAFT: I have no further questions.

THE COURT: Mr. McEnerney?

MR. McENERNEY: Nothing.

THE COURT: Cross-examination.

[1700] CROSS EXAMINATION

BY MR. REA:

Q Mr. Terzakis, on direct you referred to a number of defendants' exhibits which compared the business which First New Haven derives from Connecticut National Bank's towns—

A Office towns.

Q —office towns—and you then—the second column over, I believe, on those charts indicated what the percentage of business would be including the divestiture, both of the six and three banks, is that correct?

A That's correct.

Q And did you assume when drawing up these—this divestiture column, that all of the accounts presently held by offices to be divested would, in effect, be transferred to some other bank or banks?

A Yes, sir.

Q Last Thursday you testified on the Defendants' Exhibit 71 and 72, I believe you noted at that time that on those two exhibits there were, I believe, ten national bank charters that were disapproved and ten state bank

charters that were disapproved. Do you recall that testimony, Mr. Terzakis?

A Yes, sir, I do.

Q Do you have those documents before you?

A I believe I do.

[1701] Q Are you aware of the reasons which could be applied to deny the approval of a bank charter, both national and state?

A Are you asking whether the regulatory authorities tell us the reasons?

Q Well, are you aware generally of the type of analysis that the regulatory agents perform when they are evaluating a new bank charter?

A Basically, yes. They investigate very thoroughly the background of the proposed incorporators, they investigate the community, its economic growth prospects, where this new bank presumably would be located, and usually what they say in the case of the state Bank Commissioner, he says something to the effect that he feels that there are no reasonable prospects for a profitable operation of a new bank. In fact, when he turns them down, and if he feels the opposite, then, he normally would approve it.

Q In other words, does he issue a general statement which would subsume in its conclusions a variety of factors?

A A very general statement, and it doesn't get into too much detail.

Q And would it be your understanding, then, a state or national regulatory could deny a charter if he found the incorporators to be unqualified or inexperienced or without certain level of character?

[1702] A Yes, sir. I think—I think—and I can't say for sure on this—but I think that when they investigate an incorporator's background, they want to be sure he is of impeccable reputation of the highest integrity.

Q And would they apply the same standards to other potential bank owners, bank management?

A I believe so.

Q And if they found the same qualifications lacking in those people, could they condition a denial on those facts?

A They probably would, yes.

Q Do they also take into account the future earning prospects of the banks?

A Yes, sir.

Q The bank would be applying for a charter?

A Yes, sir.

Q And would that necessarily involve an examination of the adequacy of capital?

A Yes, sir.

Q And if they found the capital to be inadequate, could they condition a denial on that fact?

A Well, you are getting into the real detail of how they got about this, and I have never filed one for anybody, so I have no real basis of answering all of those questions, but I would say that if they found the capital was inadequate, [1703] they would deny the application or at least put it in abeyance, anyway.

Q And would you expect that the bank regulator would also look at the distribution of stock of the bank to be chartered?

A How it's distributed?

Q Yes.

A In terms of—

Q And the plans to distribute the stock?

A I would think so, yes.

Q And would that also be a factor upon which they can condition denial or approval of the particular bank?

A Yes.

Q Were you aware that these types of reasons might exist for approval or denial of a particular bank charter when you drew up Defendants' Exhibits 71 and 72?

A Well, generally, I was aware of the types of reasons that might be used, but, in fact, the—when the Bank Commissioner disapproves a new bank application, he just uses—usually issues about a one-sentence comment about the prospects of running a profitable operation in a particular town, and that's it. He does not usually get into the detail, at least not for published notification, why it was turned down.

Q But certainly in reaching his decision, he would [1704] consider the factors we have just discussed?

A I think so.

Q Are you aware of any instance in which a group of incorporators has applied both for—in sequence—for a national, and if that's disapproved, then for a state bank, and vice versa?

A I'm not aware of any specific instance. I think it probably has happened, but I don't know of any specific instance.

Q Let me refer you to Defendants' Exhibit 71, Page 4. Do you have those in front of you?

A Which one is that?

Q This is D-71.

MR. REYCRAFT: You took the exhibit over the weekend, Mr. Rea, I don't believe we have a copy of it.

A What's the subject of that exhibit?

MR. REYCRAFT: Do you have it?

THE WITNESS: What' the subject of that exhibit?

Q These are the—application for new state chartered banks, that's D-71, let me show you the marking.

Referring to Page 4 of D-71, do you note that the very last line—the presence of a bank entitled: Farmington Valley Bank and Trust Company (Simsbury) filed for a new bank [1705] charter September 8th, '67, disapproved December 13th, 1967?

A Yes, sir, I see that.

Q And referring to D-72, Page 1, second line: Farmington Valley National Bank, Simsbury, filed May 22nd, 1967, disapproved September 6th, 1967?

A Yes, sir.

Q Do you know if those two applications were filed by essentially the same group of people?

A I do not.

Q Well, let me refer you to Defendants' Exhibit 71, Page 2, bank named East Hartford Bank and Trust Company on the second line, filed December—pardon me—February 22nd, 1971, disapproved September 7th, 1971, and I refer you to Defendants' Exhibit 71, Page 2—I'm sorry—Defendants' Exhibit 72, Page 4.

A There is no Page 4 on 72.

Q Do you have this page?

A No, I don't have a copy of that page.

Q Do you see on Page 4 of D-72; East Hartford, Nutmeg National Bank applied for 5/17/71 and subsequently disapproved?

A Yes, sir.

Q And do you know if there were common incorporators involved in the applications of those two banks?

A I have no knowledge whether they were common [1706] incorporators. Actually, all I checked was what you see on this sheet, I did not check the listing of the incorporators for the individual banks.

Q You did not check to see if, in fact, there was a double counting going on?

A No, sir.

Q That the same group was applying both, in effect, for a state and a national, which would tend to overstate the number of disapprovals, would it not?

A I did not check that.

Q It would tend to overstate the number of disapprovings given the fact that the same group applied for a state and national bank?

A Nevertheless, the fact remains that they did file for separate bank charters, if, in fact, they were the same groups or not.

Q Referring once again to D-72, will you note that there were five instances in which three banks, or three groups applied for charter simultaneously?

A Yes, sir.

Q Do you know of any instance where more than one bank would be granted a charter into the same town at the same time?

A I don't recall any instance where there would be more than one new bank chartered at the same time in a particular [1707] town.

Q Okay, thank you.

Under your direct examination, Mr. Terzakis, you spoke of the profitability of operating branches, is that correct?

A Yes, sir.

Q Will you tell us what types of branches First New Haven operates?

A Well, we have branches in the downtown area and

we have suburban branches, some in fairly heavily populated suburban areas, and we also have some branches that might be called rural branches.

Q And can you tell us generally what are the costs of establishing these various types of branches, that is: the downtown, suburban and rural?

A This would be an estimate, because each branch is different, depending on what types of facilities we put in. For example, some branches do not have full vaults and safe deposit box facilities, that would increase the cost significantly.

By today's prices, I would guess that a standard sized branch of perhaps, oh, 1800, 2,000 square feet would cost in the vicinity of $250,000.00, approximately.

Q How would that standard size—where would you fit that into the dowtown, suburban, rural category?

A I'm not quite sure I understand the question.

[1708] Q Well, could a standard-sized branch be a downtown branch, a suburban branch and a rural branch, is that what you are saying?

A It's probably not likely to be a truly rural branch because a market potential in a rural branch would be quite thin normally.

Q In other words, is it your testimony that the standard-sized branch would normally be larger than a branch in a rural area?

A It depends. It depends on the size of the population of the town. If you are talking four or 5,000 people, I don't think we would put a standard-sized branch in that town.

Q What costs would you associate with that type of a branch?

A A standard type branch?

Q No, a rural branch.

A Well, this would depend whether it's a store front or whether it's an independent building with drive-in windows.

Q Can you give us a range of cost, please?

A I would guess it would probably be somewhat less, perhaps around a hundred and fifty thousand.

Q And can you tell us, please, what is the cost of ard-size branch'—and this is referring to the mini branches [1709] on direct?

A Yes, at the time we were looking at mini branches, generally, the cost—this was about three years ago—the cost of a mini branch fully equipped with perhaps one drive-in, no safe deposit boxes, was on the order of fifty or $60,000.00. That would be increased considerably with the inflation that we have had in the last three years.

Q And would you agree, then, that that cost would be approximately one-fourth or one-fifth of the cost of a standard-sized branch?

A Approximately.

Q And how would the operating cost compare—standard-size branch as opposed to this mini branch?

A Well, one of the high costs of branch operations is the number of people you have staffing that branch. In the standard branches it might be anywhere from seven to nine people. For example, our East Street office in the City of New Haven or our Wallingford branch.

For a mini branch, it might be three or—what we call three and a half people, three full-time people and perhaps one time—part-time floater. So that this would reduce the salary and wage costs.

Q And what do you conclude, then, on the comparative operating costs?

[1710] A The operating cost would not be one-fifth less or one-fourth less. They probably would be about one-third, I would guess, of the standard-sized branch.

Q Do you recall—did you participate in answering the plaintiff's interrogatories to defendants?

A Yes, sir.

Q Let me show you Plaintiff's Exhibit 75, and I show you the statement here which reads, "These branch units whose construction costs were one-fifth those of a standard-size branch"—and this is referring to the mini branches—"and whose operating costs were one-fourth those of the standard branch, were planned as all small offices whose total installation costs would probably not exceed 50,000."

Now, what was your reason for saying that the operating cost would be one-third as opposed to the one-fourth that you indicated?

A This was an estimate. This was an estimate.

Q So that the one-fourth would be equally as applicable as the one-third?

A Well, I would think that probably that one-fourth figure would be the more accurate figure.

THE COURT: I'm not quite sure I understand what you mean by cost of opening a branch. Does that include buying a tract of land, putting up a building, [1711] putting in teller counters, paneling, burglar alarms?

THE WITNESS: Yes, sir. The full cost of an actually—a turnkey operation, opening the door, includes all of the equipment, all of the shell costs, the finishing cost inside, the cost of land. All that. If we own a branch, we would own the land, too, usually, although we have leased branches on landlord's land. It still comes out to the same thing, your Honor.

Q Can you tell us, Mr. Terzakis, what is meant by the break-even time for a branch?

A This is the point at which your income covers your direct and indirect expenses.

Q And does the initial cost, both the construction cost and the operating cost, affect the break-even time, then, for a branch?

A Both those items would affect the break-even cost.

Q And would it be your conclusion that the lower the initial cost, that is: both the cost of the establishing and the initial operating cost, lost that figure, the lower—the shorter would be the break-even time?

A Yes, all other things being equal, yes.

Q And based on our discussions of the standard-size [1712] branch versus the mini branch, would it be your conclusion that the mini branches would tend to break even in a shorter period of time?

A Yes, I think that's a fair statement, yes.

Q And in view of the factors associated with mini branching, would you agree that they provide the First New Haven Bank, or any bank, for that matter, with a greater degree of flexibility in its expansion plans?

A Yes, sir.

Q In other words, would it provide them with, in effect, more tools at their disposal to expand into areas throughout the state?

A It's a possible tool.

Q But it would provide an additional branching tool, would it not?

A Yes, it would. But remember a mini branch is a far different branch from a standard-sized branch, you don't have the full banking facilities in a mini branch, you don't have a vault and you don't have safe deposit boxes, and remember, too, that a bank's corporate image is important here, too.

Q The mini branches would enable First New Haven to enter towns, then, that might not support a standard-sized branch, is that correct?

[1713] A Yes.

Q Does your bank, Mr. Terzakis, establish branch offices with an eye to economy?

A Yes, sir, we do. The growth of an economy in a town?

Q Well, with an eye to economizing on the costs associated with establishing a branch?

A Sometimes that's true, and sometimes that's not. For example, in discussing our Dixwell Plaza office, we did not feel that we should be economizing on that particular branch which was an inner city branch, we did, in fact, spend a considerable amount of money establishing that branch, it's a very handsome—

The COURT: That's one of my questions. When was the last time, to your knowledge, a bank put a branch up for $50,000.00? Is that an actual experience of yours?

THE WITNESS: No standard-size branches at that figure, your Honor. Standard-sized branch would be much more expensive. If they owned the building.

THE COURT: You are talking about the mini branches, but have you established any of those?

THE WITNESS: No, sir, we have not.

THE COURT: Has there been any reason why you [1714] haven't done it?

THE WITNESS: Well, I think that management may have some reservations about the efficacies of these types of branches. I think that they're seriously concerned about the corporate image that they tend to project, particularly if you locate a branch, a mini branch, next to a competitor or across the street from a competitor and he's got a handsome colonial building with all of the appointments in the building. It's just a natural for the public to compare First New Haven with XYZ Bank, and I don't think that reflects very favorably on our corporate image.

Q If I may follow up on that—that line of questioning, has the First New Haven Bank considered the establishment of mini branches?

A Yes, we have.

Q And without duplicating Mr. Chadwick's testimony, were mini branches envisioned in this plan to expand into five or six towns and cities in Middlesex County?

A Yes, sir.

Q The point I was earlier making was that: is it generally true that your bank would try to establish a branch, all other things being equal, at a favorable cost to the bank, in other [1715] words, where they could save money, where they could cut costs, they would?

A This depends on the needs of the community, in other words, it depends, for example, on how large the trading area is that you are going to serve. If you are talking, for example, of a downtown branch, you have to put up a pretty handsome facility, and you can't economize on cost. Again, it depends on the size of the trading area that you are serving.

Q Well, let me ask you this: Is leasing as opposed to constructing a building one way of reducing branch cost?

A I think the net—in chatting with our controller, the net effect of leasing versus owning is not really too much different. The net effect is still about the same to us.

Q Have you performed any studies which compare

the—at least the initial cost of leasing with the initial cost of constructing a branch?

A I have not prepared any such studies, no.

Q Would it be your understanding that in leasing an existing building there would be a reduced cash flow, out of pocket cost, to the bank as opposed to constructing a branch office?

A Yes, I would think so, although we have situations, for example—we are pretty flexible on how we build these and how we handle them, we have situations, for example, where we [1716] talk with owners of land and they don't want to get involved in the actual construction of the building, and we have taken over the actual construction of the building, made the payments on out of pocket cost for putting up that building and sold it back to the developer, and then he in turn would lease it back to us.

Q And how many times have you done that?

A Well, I can think of—our East Street branch was such a case. Perhaps two or three. I'm not certain on that, though.

Q Out of your total of how many branches?

A Twenty-one. I'm not certain of the actual number.

Q Does leasing have the effect of lowering the initial cost associated with branching?

A I think you have already asked that question, and I think—the initial cost that you would lay out for a branch in the case of a lease would be less.

Q And would this reduction in the out of pocket costs enable the bank to establish more branches with a given amount of dollars?

A Probably.

Q Can you tell us what percentage—

THE COURT: I'm not sure I follow this. I don't claim to be an economist, but if it cost $250,000.00 [1717] to buy a piece of property and put up a building, and let's say your initial costs are $250,000.00, and you can lease the same building for $150,000.00 per year, your out of pocket expenses, your initial costs are reduced,

but management would be close to idiocy if they leased instead of purchased. Wouldn't you say?

MR. REA: Yes.

THE COURT: I don't get the point here. Sure, your lease is less, but it depends on what your initial—your initial cost is less, but you have to figure long run, too, don't you?

MR. REA: I think you do.

THE COURT: The leasing prices is so high, you save initially, but in the long run, it is poor business to lease.

MR. REA: I would agree with your Honor if, in fact, the leasing cost would be close to the same as the initial construction cost. I believe the contrary is true, however, that the leasing is substantially less on the order of anywhere from $3600.00 a year up to about $30,000.00 a year.

THE COURT: This is not—we're getting to the point that's troubling me. Are we just having an [1718] esoteric conversation here, or are there some facts and figures that you are showing me that that is so. I mean these are all really hypothetical. If it is cheaper to lease, any businessman will lease. If the lease prices are too high in the town he wants to go in, or if the land prices are too high, he may look to leasing, if they're not—it's—did you ever use a middleman, either? I mean, do you ever figure that maybe if the land owner knows a bank wants to buy his piece of property, his price is upped and you go to broker?

THE WITNESS: Yes, indeed.

THE COURT: And what do they call that, undisclosed principal, and things like that?

THE WITNESS: A straw. In other words, a straw.

THE COURT: I'll sit here and listen, but I'm not satisfied that the questions are relevant, nor the answers are, unless we have a little bit more—something concrete here for me.

MR. REA: Well, I was just going to proceed into that area, your Honor.

BY MR. REA:

Q Can you tell us, Mr. Terzakis, what percentage of

First New Haven's offices are leased at the present time?
[1719] A I think it is approximately half and half.

Q Well, would you agree that eight out of twenty-one offices are leased? And that's a little less than 40%?

A Yes (indicated).

Q And do you know what the annual rental fees would be for those offices?

A Well, I think you just gave the range, it was approximately $3600.00 to 3,000—$30,000.00, that's the lease cost, I think that's the approximate range.

Q And would that be considerably less than any initial cost of constructing a branch office?

A Yes, it would be, but in looking at the long-range effects of these offices, I think what hasn't been brought out is that you have depreciation cost that a bank can take advantage of, so these can be written off so the net effect of a branch over a ten or twenty-year period is approximately the same.

Q But looking at least at the initial period, would you agree that the out of pocket costs of leasing as opposed to constructing would be considerably lower?

A Yes.

Q Mr. Terzakis, if I may refer to Defendants' Exhibit No. 60, this is the Masters' final report, do you have that exhibit?
[1720] A No, sir, I do not.

(Handing report to the witness.)

Q If you will refer to Page 26, which lists the 25 corporations—actually, I guess it should be 24, since we have deleted the Town of North Haven—and on a subsequent page it indicates that the defendants have stated that none of these corporations is presently a customer of either defendant bank.

Mr. Terzakis, were you responsible for submitting these names as they applied to First New Haven?

A Yes, I was responsible for submitting them. The actual preparation and checking out of whether they were customers or not was at my direction, but it was done, in fact, by another officer of the bank.

Q Okay. Do you know, does First New Haven solicit these corporations?

A To the best of my knowledge—well, we have new business people that are on the road all the time, and I know, for example, in the case of the F. D. Ives Company, which is next door to our East Street office, that has been solicited, that particular company. There may have been one or two others, perhaps more than that.

Q Have you visited any of these companies or spoken to personnel in these corporations?

A No, sir, I have not.

[1721] Q Do you know what the general content of a solicitation conversation is with a corporation?

A Only in very general terms. Generally, they try to establish the fact that the particular company has a need for a particular service. They may talk about, for example, payroll services, computer services. They may talk about bank reconciliation of their statements, some of the general types of services that we have . We have OJB, which is on the job banking, in some firms. These are the general types of solicitations they would make of these companies.

Q Would it become apparent to the soliciting officer as to what banks this corporation presently did business with?

A If the corporation treasurer noted which bank they do business with, it would be, yes.

Q Would it be good salesmanship on the part of a soliciting officer to say that, "Our bank can do X,Y,Z things better than your existing banks?

A Well, I think if he can show some actual benefits that we can provide as a bank that he is not presently getting from his established bank account, this may be one approach. He may, for example, offer an entirely different type of service that no other bank offers, if that happens to be the case.

Q But, in other words, in order to make this comparison of what your bank can do vis-a-vis the existing banks, it would [1722] probably be helpful to know who those existing banks were, would it not?

A Who these companies bank with?
Q Right.
A Yes, I think it would be helpful.

[1723] BY MR. REA:

Q Do you know how this list of 25 corporations was derived?
A Yes, sir. We have identified some 200 companies that are noncustomers of the bank, and these are companies that we would indeed very much like to get as customers. And it was derived from that list.
Q Did you perform this derivation?
A Well, in conjunction with another officer of the bank; we went through the list and we picked out the top 25, from that list.
Q The largest 25?
A Right, or the most—the most wanted 25, let's put it that way.
Q In other words, First New Haven does actively solicit these firms for their business?
A Some of them. Some of them I can't say. I just have no knowledge whether all of these have been solicited. Some of them have.
Q Would it be your opinion that these top 25 out of a list of 200 would be corporations which would have perhaps more banking alternatives available to them than the bottom 25?
MR. REYCRAFT: Your Honor, I think it ought [1724] to be clear that Mr. Terzakis does not make these calls and this is not his area. If he knows, it is fine.
THE WITNESS: That's correct.
MR. REYCRAFT: But I think this is not helping Mr. Rea very much and he really does not have this kind of knowledge. If he has it, something specific, I do not object.
THE COURT: I think the witness is capable of saying "I don't know." Objection is overruled.
Go ahead. Is there a question pending?

(The pending question was read by the reporter as above recorded.)

A Well, I think that—what I haven't made clear is that I don't make officer calls.

Q Do you know the general size, the scope of operations, of some of these corporations listed on page 26?

A I have no detailed knowledge of the scope of their business activities, no.

Q Do you know anything about their credit standing or their banking needs?

A No, sir.

Q You also testified on direct, I believe, about the value of being in Downtown New Haven in order to serve that [1725] area?

A Yes, sir.

Q Can you tell us, based on your personal knowledge, how long the General Bank & Trust Company, which, of course, is now Hartford National, has been in Downtown New Haven?

A Well, they were in Downtown New Haven when I first came with—to become employed with the First New Haven National Bank eight years ago. They were downtown.

Q But I mean previously. Would you assume that they had been downtown at least thirty or forty years?

A I have no basis for making an assumption like that. I just have no knowledge of how long they've been down there.

Q Would you know the length of time that other Downtown New Haven banks have been established in Downtown New Haven?

A Only in the last eight years where I was employed by the bank.

Q Do you have any reason to dispute the fact that these banks have been located in the downtown area for a considerable period of time, say thirty to forty years?

A That might be a fair assumption, yes.

Q Are you aware, Mr. Terzakis, that the greater population growth in the New Haven-Bridgeport areas has occurred outside the central city in the last twenty years?

[1726] A Yes, sir.

Q Do you know, based on your market studies, when this population shift first began?

A Well, I think it paralleled the flight to the suburbs that we found nationally from the central cities, and it was probably in the early '50's.

Q I believe you have also heard some testimony concerning the corporate exodus from New York and Boston into Connecticut?

A Yes.

Q Do you know, based again on your market studies and the awareness of the economy of the area, where these corporations are located in Connecticut?

A Primarily Lower Fairfield County, in that area.

Q But can you give us an idea of central city as opposed to suburban areas or outside of some of the central cities?

A Well, I know, for example, there's a few in Greenwich. I think it was American Can that located in Greenwich. General Electronic is in the process of locating in Fairfield.

Q Let me rephrase the question.

Do you know if these corporations are located in the central business district as opposed to the outlying [1727] areas?

A I don't know for a fact where they have located, no.

Q Do you know where some of them are located?

A The towns they're in, yes.

Q But would this be in the central area or in outlying areas?

A I don't know.

Q Do you know where shopping centers are being located?

A Generally, shopping centers are being located outside the central cities.

Q Based on this testimony, population shift, shopping centers being located outside, would it be your opinion that this indicates that these areas are attractive for purposes of branch expansion?

A I think that they are probably attractive to most banks for branch expansion, because it's an area where —in other words, a bank looks for where there's an aggregation of people, where do people tend to congre-

gate, and in shopping centers there's specific reasons for people congregating there, so they can shop; and where you have large numbers of people congregating, it becomes attractive to some banks to locate in shopping centers.

[1728] Q I believe you also testified on direct concerning the larger lending limit, which would, did you testify, bring back local money?

A Yes, sir.

Q What was your basis for suspecting that local money was leaving either your bank or the Connecticut area?

A Well, in fact, when a company comes in and asks our company for a legal limit and it's 2.4, it's not the legal limit but it's our prudent limit, and if we can't fulfill their loan requirements they seek other options with other, larger banks or even out-of-state banks.

Q Have there been instances where existing customers of First New Haven have demonstrated a reduction in the deposits that they hold with First New Haven?

A Yes, sir, I think there have been, and I think those were answered in the plaintiff's interrogatories.

Q Right.

Did you participate in answering that interrogatory?

A I collected the information. That was answered by our lending officers.

Q Were you aware that part of that interrogatory covered customers who apparently had reduced the deposits they held with the First New Haven National Bank?

A I think I was aware—could you identify that [1729] interrogatory number?

Q Yes. That is interrogatory 41.

A Which subsection?

Q I am referring now to A, sub 4, which reads, "15 of the bank's largest accounts have been compelled to establish substantial relationships with out-of-area banks and are vulnerable at any time to reduce further the pressure deposits made at First New Haven."

A Right.

Q Do you know what the reference is to reduce further the deposits? Do you know what the initial reduction of deposits for these accounts was occasioned by?

A No, sir, I do not.

Q Is it the usual practice—and I think you testified to this on direct—that a customer will maintain a deposit balance to compensate a bank at least partially for extension of a line of credit?

A Yes, the corporate customer.

Q If that customer reduces the outstanding line of credit by repayment, would it be logical to expect a reduction in the amount of deposits that customer holds with the bank?

A I can't speak with authority on the actual circumstances of that because I'm not a lending officer.

[1730] Q For example, referring to that A sub 4, I believe the first company on the list is the Mite Corporation.

Were you aware that in 1969 to '70 Mite drew down the maximum limit from First New Haven?

A They drew down their maximum lend limit?

Q Yes.

A No.

Q Assuming that to be the case, would they have to place with the bank some additional deposits?

A Well, they have to keep deposits in relation to the—what their borrowing requirements are and whether they're using the line or not using the line.

Q Assuming they went from a nonuse to a use situation, they would have had to have deposited money at the bank?

A Right.

Q Assuming also that in the next year or so Mite repaid this loan in full, would that occasion a reduction in the deposit balance they would have to keep with the bank?

A It probably would, but I can't answer definitely because I don't handle corporate customers. I'm a research man.

Q In fact, couldn't the bank transfer from a non-

interest demand deposit to an interest-paying certificate of deposit under those conditions?

[1731] A I can't answer the question. I don't know.

Q Would you agree that's the function of a logical business investment when an account borrows, places compensating balance and then repays, and perhaps may lower the compensating balance? Would that be the local outgrowth of certain business decisions on the part of these corporations?

A Well, I would think so, yes.

Q Let me offer another hypothetical:

Assume a company draws down a one-million-dollar loan and they repay back five hundred thousand. Would you expect that their deposits would decline or be reduced?

A The compensating balance?

Q Yes.

A I would expect that.

Q Would there be any reason to suspect that this account could not continue to do business with the bank in all other areas; in other words, there would be no necessary diminution of banking business aside from the fact that they had repaid back part of the loan?

A I would think so, yes. The fact remains those balances were reduced.

Q Also in interrogatory 41 you designate the names of borrowers who would be likely to borrow in excess of [1732] defendants' present lending limits.

A Specifically which one is that?

Q This is interrogatory 41, Part B, which reads, "State the name and address of all other customers who defendants believe would be likely to borrow in excess of defendants' present lending limits if the consolidation is permitted and give the reasons for such opinion."

A Yes, sir, that was prepared and submitted.

Q Did you prepare that?

A I collected the data. I did not prepare it. It was prepared in our lending offices.

Q Was it prepared under your direction or supervision?

A I was a coordinator of these things; in other words,

I collected all this information, and what I tried to do was to make sure that the answers given to the interrogatories were full and complete. The actual data was collected by the lending officers and they submitted it to me.

Q You are aware, then, that there were nineteen companies listed in response to this interrogatory request?

A Yes, sir.

Q Do you know how many of those are headquartered in Connecticut?

Perhaps I can save time if I offer the number ten.

A Ten are headquartered—

[1733] Q Ten out of nineteen are headquartered in Connecticut?

A It looks like to me about eight. I believe—oh, excuse me. I think about nine.

Q Do you know how many of the companies listed of the nineteen are national in their scope of operations?

A This will be difficult to answer, because, for example, in the case of O. F. Mossberg, I have no knowledge of—

Q Can you give us your best estimate? I do not mean to give an exact percentage. For example, would you assume that the Chrysler Corporation and General Motors Acceptance—

A Oh, yes.

Q Those—

A Those are national.

Q Sears & Roebuck?

A Right.

Q Do you know what would be the general credit standing of these corporations?

A I can't give you specifically what their credit standing would be, but I would rate them as AAA corporations, probably.

Q Would you assume, based on that determination, that they would have many banking alternatives available to them?

[1734] A Yes.

Q And that these banking alternatives would be located in many states and in the major money markets?

A Yes.

Q I believe you also testified on direct that the larger lending limit would bring back local money to the consolidated bank.

Was it your testimony that this would increase the amount of money available for other uses by the bank?

A Yes, sir.

Q Would it not be the case, however, that the increased lending limit would result in a net outflow of funds from the bank?

A Well, it would involve larger loan commitments, yes, but it also would involve our corresponding percentage increases, meaning the 10 and 15 percent, which would be repatriated to the bank. For example, if it's a nonused line, we require a 10 percent compensating balance. Let's say it's a five-million-dollar loan; that means five hundred thousand dollars. Now, if the limit is increased, it would double the amount of dollars on that nonused line, which makes more money available, and there's no outgo there.

Q But in a case of an account taking advantage of the increased lending limit—which I suspect you would [1735] hope to be the case, would you not?

A Yes.

Q —there would be a net outflow of funds—that is, increased funds lent minus the increase to the compensating balance?

A The point is that most of these companies are not at the full limit throughout the year; they're in and out, and they're borrowing seasonably, particularly for inventory purposes, and that this gives us greater flexibility in terms of moving funds around, and that the velocity of the dollars—I think Mr. Chadwick testified on this—dollars would be turned over much more rapidly.

This is very important to a bank.

Q At least in a situation where a bank avails itself of the increased lending limit, there would be a net outflow of funds there, lending funds loaned as against the

increases to the compensating balances; is that correct?
A The loan commitment would be bigger.
Q Could you answer the question?
THE WITNESS: Would you restate the question. Read the question.

(The pending question was read by the reported as above recorded.)

A Yes.
[1736] Q Is it also your testimony that a substantial number of your present customers do not draw down their maximum lending limit available?
A There are a substantial number of customers who do not take the full limit?
Q Yes.
A Yes.
MR. REA: We have no further questions.
THE COURT: Redirect.
MR. REYCRAFT: No redirect.
THE COURT: Mr. McEnerney?
MR. McENERNEY: No, your Honor.
THE COURT: You are excused, sir.

(Witness excused)

MR. REYCRAFT: Your Honor, the witness is coming.
MR. BOYER: Mr. Johnson, please.
[1737] PAUL H. JOHNSON, called as a witness, having been first duly sworn by the Clerk of the Court, was examined and testified as follows:
THE CLERK: Will you state your full name and address for the record, please?
THE WITNESS: Paul H. Johnson, 36 Kennedy Lane, Madison, Connecticut.
THE CLERK: Thank you. You may be seated.

DIRECT EXAMINATION

BY MR. BOYER:

Q Mr. Johnson, what is your present position?
A I am president of the Connecticut Savings Bank.
Q How long have you held that position?

A For approximately two months.

Q Before that time, sir, what was your position?

A I was executive vice-president of the Connecticut Savings Bank.

Q How long did you hold that position?

A Approximately one year.

Q Could you describe your earlier career in banking, please?

A Yes.

I came out of the service in 1961 and joined First New Haven National and served in capacities until approximately [1738] July of 1971.

Q Could you describe your duties in your last year at First New Haven?

A My position at that point was vice-president and secretary of the corporation. I had responsibility in the branch administration area, primarily in terms of building and construction and supervision of new branches.

Q Could you describe your formal education briefly, please?

A Yes.

I—undergraduate degree from Brown, and a J. D., University of Connecticut School of Law.

Q Are you a member of the bar of Connecticut?

A Yes, I am.

Q Would you state how large the Connecticut Savings Bank is in terms of assets and deposits at this time?

A Approximately 350 million total assets.

Q Do you know how your bank ranks in size among all banks in New Haven City?

A No, I'm—I'm not sure. I know how we rank in size in terms of all savings banks within the state, but I'm not sure how we rank in size in New Haven.

Q Could you describe, please, the services that your bank offers in terms of categories of deposit and loan [1739] services?

A On the deposit side, savings accounts, and various types of varieties and kinds; on the lending side, installment loans and mortgage loans; and then the traditional services of safe deposit and the collateral service of insurance.

Q You offer money orders, for example?

A Yes.

Q Besides savings accounts, are there any other forms of deposits, other than regular savings accounts, that you offer?

A Well, the addition of certificates of deposit, which is a contractual obligation.

Q What rates are you currently paying at your bank for regular savings accounts and for certificates of deposit?

A Regular savings accounts are 5 percent, with an effective, because of a way of paying, of 5.20 percent. Two-year certificates are 6 percent, with an effective rate of 6.27 percent.

Q Are you paying at more or less or about the same as, for example, savings and loan associations in New Haven?

A About the same.

Q Could you describe, please, the rate structure for your consumer installment loans generally?

[1740] A We have a similar rate structure to—amongst other organizations; I think that our rate structure is probably a little bit lower than most banks. The rate structure on consumer loans varies a tremendous amount, depending upon the philosophy of the organization that's generating it.

Q Are you familiar with the commercial mortgage lending that your bank engages in?

A Yes, I am.

Q Do you know whether any commercial mortgage lending is undertaken at your bank where the borrower has in mind using the proceeds for business purposes?

A No, that would be against the statutes of the State of Connecticut.

Q Do you inquire as to the proceeds of his particular loan?

A We control the proceeds. We—it must be done on a first mortgage basis. Now, that's not to say that an individual could not use the proceeds for other purposes by mortgaging his property and using it for other purposes. We must be secured by first mortgage.

Q In the consumer installment lending area, could you describe the kind of loan purposes that your bank will make a loan for?

[1741] A Yes, the normal range of loans for consumers—automobiles, home improvement, boats, personal reasons, travel, the normal range of consumer lending.

Q For these particular categories of deposit and loan services that you have described, what other financial institutions are offering these same services in your market area?

A Virtually all other financial institutions.

Q That includes commercial banks?

A Yes, sir.

Q Mr. Johnson, are you familiar with any efforts on the part of Massachusetts savings banks to achieve third-party payment privileges?

A Yes, I am.

Q Could you tell us, please, what you know about that?

A They were first initiated in the Springfield area under the heading of NOW accounts. The NOW stands for negotiable order of withdrawal. They have spread to other parts of Massachusetts and to other states. They—fundamentally what they are is a negotiable order of withdrawal from a standard savings account, so that you are able to earn the normal savings account rate, which in Massachusetts is 5¼ percent, while you write drafts against your particular account.

[1742] Q Are you familiar with the means by which mutual savings banks in Massachusetts came to have this power?

A Yes, I am.

Q Would you state what that was?

A Fundamentally, that the savings accounts have a restriction within them that does not make them immediate demand accounts, that there is a provision whereby the bank can institute a 30- or 60-day waiting period, and, because they're not demand accounts, they are allowed to have this float period in order to have negotiable orders of withdrawal, which, on their surface, look identical to checks.

Q Do you know whether there are other states in the Union where mutual savings banks offer third-party payment services?

A Yes, a number.

Q Could you state what they are?

A Offhand I can tell you the ones I know. I know New Jersey, Rhode Island and Delaware all have that privilege.

Q Has your bank make any study of the procedures by which these savings banks in the states you have mentioned handle such payment services?

A We have made reasonably extensive studies and surveys.

Q Of what states, please?

[1743] A Of all the states that presently issue a type of negotiable order of withdrawal or checking account privileges.

Q Are you aware of any efforts by Connecticut commercial banks to achieve third-party payment powers?

A Yes, I am.

Q Could you describe generally what your involvement has been in that effort.

A Well, I have been on both sides of the fence. I think there has been extensive legislative effort in order to get straight demand deposit accounts in contrast to negotiable orders of withdrawal. I think those efforts are continuing and probably will continue.

Q Do you have an opinion, Mr. Johnson, as to whether mutual savings banks in the state, in the reasonably foreseeable future, such as within five years, will be offering third-party payment powers or checking powers?

MR. CLARK: Your Honor, I object once again to this question as being highly speculative.

THE COURT: Are you talking about accounts similar to the NOW account?

MR. BOYER: Yes, I am, your Honor.

THE COURT: With respect to the NOW account, is there a legal prohibition from your bank doing this?

[1744] THE WITNESS: Your Honor, I'm not positive whether there is a legal prohibition. It seems to me that the rules and regulations that are in effect in Massa-

chusetts are very, very similar to the ones in Connecticut, and therefore it's not a legislative problem. We have not explored specifically at this time whether or not there is a legal prohibition in Connecticut.

THE COURT: Would you give me some concrete examples of how this works with your bank. If I have an account at your bank, could I go down and have a check issued to Southern New England Telephone Company?

THE WITNESS: Well, not in present form, no. The only way you can do it as of the present time is you can make a withdrawal from your savings account and we'll issue a cashier's check drawn on a commercial bank so that you could pay the gas company.

Now, Massachusetts has put in a different system. They allow—they give you a pad of documents that look identical to a check, and then you are allowed to write those at your leisure, and they pass through the same clearing system that a [1745] normal bank check goes through. But the withdrawal is taken out of an interest-paying savings account.

THE COURT: All right.

THE WITNESS: We do not have that right now.

THE COURT: In Massachusetts they have something that looks like a checkbook. A person has a savings account and can actually put down a utility company as the payee, sign the check and mail it to the utility company, and they process it?

THE WITNESS: Yes, sir.

THE COURT: The reason you have not done that here is what?

THE WITNESS: Well—

THE COURT: Or are you thinking about it?

THE WITNESS: It would be speculation for me to talk on behalf of all the savings bankers in the state, but I think that our first effort is to get full checking account privileges in contrast to the NOW accounts.

THE COURT: All right.

MR. BOYER: So, your Honor, the question pending, whether he has an opinion as to the likelihood of this taking place—

[1746] MR. CLARK: My objective, your Honor, is since it involves legislative action—

THE COURT: It is highly speculative. I will take it. It will go to weight later on.

A Yes, I do have an opinion.

Q What would that opinion be, Mr. Johnson?

A I think in one way or another it's probably inevitable that the savings banks in this state have some type of third-party payment system.

Q Has your bank considered whether in fact, if such a system were available, you would implement that?

A Yes, we have.

Q What have you decided?

A We would be ready to implement it immediately.

Q Would that be based on your study of how it is done in the states you mentioned previously?

A It's based on that plus a very careful survey of what kind of services we would have to produce, ourselves, and what kind we could buy from third parties within the State of Connecticut.

MR. BOYER: I have no further questions.

THE COURT: Mr. Johnson, before you go to cross-examination, may I ask you this:

You were on both sides of the fence, so to [1747] speak, within a very recent time, within the last two or three years. Could you just list generally in what way, if any, you feel that your bank is in direct competition with commercial banks, and in what ways you feel that your bank is in indirect competition with commercial banks, and in what ways you feel that your bank has the field to itself in certain categories?

By "your bank" I also mean savings banks in general. Could you just list them for me.

THE WITNESS: It obviously can't be complete, but I'll do the best job that I can.

In terms of direct competition, obviously for all forms of savings accounts. The interesting factor, as I view it, is that the third largest savings bank in the state is really a commercial bank and also the fourth largest savings bank in the state is a commercial bank. Connecticut Bank & Trust is the third and Hartford National is the fourth.

That leads me to the conclusion that rate is not always a deciding factor in terms of where a particular customer has his savings account. So [1748] that although that's an area of strong competition, it's also an area that relates to the convenience of a market and where you serve a particular area.

We're very competitive in terms of installment loans. We're very competitive in terms of all categories mortgage loans, not just residential but also commercial. We're indirectly competitive—we're also competitive in terms of people, and I think that, as far as I'm concerned, that's an extremely important commodity, that we try and attract to our organization some of the same people that commercial banks would like to attract to their organizations.

We aren't competitive, obviously, in any phase of commercial lending aside from the mortgage area. We are competitive across the board in installment loans, and I think that we're going to remain competitive in that area, because of our ability to be involved in a rate structure that allows us to be competitive.

That's generally how I see it.

But I think that my having been a commercial banker for ten years has given me some feeling for what the commercial side is, and, as I've seen it [1749] over the last ten years, there's a growing level of competition that I don't think anybody envisioned ten years ago.

THE COURT: As a man in the business, would you say that savings banks are in competition with commercial banks?

THE WITNESS: I don't think there's any question about it. They are.

THE COURT: All right, cross-examination.

MR. BOYER: Could I have one further direct question on that, your Honor?

THE COURT: Yes.

BY MR. BOYER:

Q Mr. Johnson, do you compete for banking sites with commercial banks, for example?

A Yes, I think we do. If you look at our branch expansion, I think it becomes quite obvious that our

expansion philosophy has related to one primary element, and that is that the commercial banks have been more energetic in their expansion moves than the savings banks, and therefore in our first two new locations they were both in communities that were—had home town commercial banks that withstood further commercial bank competition.

I think that we're very competitive for sites.

[1750] MR. BOYER: That is all. Thank you.

THE COURT: Cross-examination.

CROSS-EXAMINATION

BY MR. CLARK:

Q Mr. Johnson, from your days at First New Haven, do you have an opinion upon the accuracy of the accounting methods as they reflect the profitability or the worth of a branch to the bank?

A I don't think there's any question that they're accurate. I think that in any accounting method there are elements of the accounting method that must go into the calculations that reflect the over-all—the over-all profitability structure and the over-all operation of the bank.

Q But some branches, even though they may show a loss on your books, you would consider highly valuable to the bank, wouldn't you?

A I have not known of any banks that have sold branches under normal circumstances. I think that in any large bank you must pump into the accounting method the over-all cost of your whole operation, you must put in executive services, you must put in advertising costs, that reflect the over-all cost to the bank as a whole, and distribute them out to each individual profit center.

[1751] So that whether or not a particular branch gets its full portion of executive talent or advertising dollars is really a determination that is subjective.

Q Taking one of the branches that First New Haven has that I guess has been a chronic loser on the book, at least—Devon—what is your opinion as to the worth of that bank?

A It would really be beyond my capacity to answer. We wouldn't mind having it as a savings bank, but it's—that's a completely or a very different business, in some respects, than commercial banks.

Q Savings banks and commercial banks, is that what you are—

A Yes.

Q What is the opinion within First New Haven as to the worth of the Devon branch to that bank?

A I assume that it's—continues to be a valuable part of their operation, although I am aware that at least up to the time that I was there, during that period of time, that it was not a profitable branch.

Q Mr. DelGreco, who is in charge of that portion of the operations of First New Haven—

A That's Greco.

Q —what is his opinion of that branch?

[1752] A It's a matter of conversation. He thinks it's a reasonable branch. I would be speaking for him, and I don't think that would be appropriate.

Q He has said that he would like to own that branch, himself?

A In conversation he has made that comment.

Q Do you consider yourself to be an aggressive banker, Mr. Johnson?

A Yes, I do.

Q Are you now considering statewide expansion for your bank?

A Yes, we are.

Q What is your first choice as to the manner in which you will accomplish that?

A I think it's a combination of seeking to find out whether or not merger's valid concept within the State of Connecticut with mutual savings banks, and a second alternative is de novo branching.

Q You would first consider merger with another large savings bank?

A Yes. We've already gone that route.

Q That is, you have already begun to consider?

A It was unsuccessful.

Q Which bank was that?

[1753] A It was with Waterbury Savings Bank.

Q I do not know whether you have had any discussions, but I asume that People's Savings Bank, for example, would be one that you would like to merge with?

A I think the People's Savings Bank, in my opinion, is the best run savings bank in the State of Connecticut, and it has an outstanding record and outstanding management team.

Q So what does that mean in terms of whether or not you would like to merge with that bank?

A Well, I think that we would look to any possible partner that would give us a stronger input into the statewide market that itself was well run and well respected within the community.

Q That would include People's?

A It certainly would.

Q If such mergers were not available, I think you said then you had a second alternative?

A Yes, the second alternative would be de novo branching.

Q How would you accomplish that?

A Well, we would accomplish it the traditional way, which is site by site application to the Banking Department within the State of Connecticut.

[1754] Q You think this is a feasible means for your bank to become a statewide bank?

A It is. It's a long, slow process, and it's becoming obviously much more difficult as we get more aggressive savings banks within the state.

Q You would also consider, would you not, merger with smaller savings banks if larger ones were not—

A There have been very, very few successful savings banks mergers in the State of Connecticut or anywhere, primarily from the point of view that there is not the economic motivation for the people that are involved in the individual savings banks. There are 68 individual savings banks in the State of Connecticut, and I don't know when the last merger was.

Q But you think, then, that statewide operations are becoming a necessity for your bank?

A Well, I think that if I looked down the road I

would see ten years from now three or four major savings banks that would operate statewide. We have one state savings bank right now that is obviously in statewide expansion.

Q And you hope that your bank will be a part of that?

A I would hope so.

[1755] MR. CLARK: I have no further questions.

THE COURT: What bank are you speaking of?

THE WITNESS: Society For Savings.

THE COURT: What has been their history the last, last ten or fifteen years?

THE WITNESS: They were the second largest savings bank in the state approximately six or seven years ago. They are now the largest savings bank in the state by about a hundred million dollars.

Their expansion traditionally had been to the north of Hartford and to the northeast of Hartford. They have recently filed for an application in Saybrook, and I believe they have either filed or they intend to file for an application in the western section of the state.

So you can see, quite obviously, that they're—the spokes of the wheels are beginning to go out.

THE COURT: Was this expansion all do novo?

THE WITNESS: Yes. In the last eight years they've added eleven branches to their system, which has taken them from approximately an eleven-branch system to a twenty-two-branch system.

THE COURT: Redirect?

MR. BOYER: None, your Honor.

[1756] THE COURT: Anything further?

MR. BELL: No, your Honor.

THE COURT: You are excused, Mr. Johnson.

THE WITNESS: Thank you.

(Witness excused)

[1757] THORNTON B. MORRIS, called as a witness, having first been duly sworn by the Clerk of the Court, was examined and testified as follows:

THE CLERK: Will you state your full name and address for the record?

THE WITNESS: Thornton B. Morris. 1 East View Drive, Simsbury, Connecticut.

DIRECT EXAMINATION

BY MR. BELL:

Q Mr. Morris, what is your occupation?

A I'm a commercial banker.

Q And where are you employed, sir?

A I'm employed as President and chief executive officer of the Simsbury Bank and Trust Company, Simsbury.

Q And I take it that is a commercial bank, is that correct?

A Yes, sir.

Q How long have you been president and chief executive officer of your bank?

A About eight and a half years.

Q Did you have any position with that bank prior to that time?

A No, I did not.

Q Did you have any prior banking experience, sir?

[1758] A My first experience from college days has been in the banking business.

Q In the Simsbury Bank and Trust Company?

A I'm sorry, in the banking business.

Q Well, what position did you hold before you were president and chief executive officer at the Simsbury bank?

A I did bank examining in New Jersey and New York. I was a lending officer with Morgan Guaranty Trust Company in New York, and I was a senior vice-president of Branch Banking and Trust Company, a bank in North Carolina prior to coming to Simsbury.

Q In total, Mr. Morris, how long have you been in the banking business, then?

A About 20 years.

Q 20 years, all right, sir. I think you stated that the Simsbury Bank was a commercial bank?

A Yes, sir.

Q How was it organized, sir, under what law was it organized?

A It was organized in 191y under the laws of the State of Connecticut.

Q And in general, sir, what kind of services does your bank provide?

A Full line commercial bank services, that are [1759] normally offered by a bank of our size.

Q Well, what is your size, sir; would you give it to us in terms of deposits?

A About 34 million dollars in deposits.

Q Now, where is the main office of your bank?

A In Simsbury.

Q Do you have other branches?

A We have three.

Q Could you tell us where those are?

A One in Avon, Connecticut; a second in Canton, Connecticut; and a third in Granby, Connecticut.

Q What would you describe, Mr. Morris, as the service area of the Simsbury Bank and Trust Company?

A The principal service area of our bank would be the four towns in which we have branches, which is roughly refered to as the Farmington River Valley.

Q Those are the four towns you just described?

A Yes (indicated).

Q Now, could you tell us, sir, something of the ownership of the Simsbury Bank and Trust Company?

A All of the outstanding stock, with the exception of qualifying shares, of the Simsbury Bank and Trust Company, is owned by a holding company, First Connecticut Bancorp in Hartford.

Q Can you tell us when the First Connecticut Bancorp [1760] acquired the Simsbury Bank and Trust Company?

A In November of 1970.

Q Do you hold any position, sir, with the holding company?

A I am chairman of the executive committee.

Q Any other position?

A Director of—

Q Director of the company? All right, sir.

Now, could you tell us, Mr. Morris, whether there are presently any other banks with offices besides your own in the Town of Simsbury, Connecticut?

A Yes, there are two savings banks. The Society for Savings and the Savings Bank of New Britain.

Q Now, to your knowledge, Mr. Morris, are you aware at the present time of any application by another financial institution to establish a branch in Simsbury?

A The Burritt Mutual Savings Bank of New Britain has applied for a branch in Simsbury.

Q Is there a present application pending by that savings bank?

A Yes, sir.

Q Is that the first time it's applied to establish a branch in your community?

A No, it applied in February of 1970, to establish [1761] a branch.

Q So it made an application in February of 1970?

A Yes.

Q Did your bank take any position with respect to that application?

A We opposed the application.

Q How did you go about opposing it?

A We wrote a letter to the Bank Commisioner stating our opposition, outlining what we thought were the facts supporting our position.

Q When you say "Bank Commissioner", I take it you mean the State of Connecticut—Bank Commissioner, State of Connecticut?

Is that the authority to whom a savings bank applied for a branch location?

A Yes, sir.

Q Is that the only authority to whom they apply?

A They also, if they—I think all savings banks in the State do have FDIC, Federal Deposit Insurance Corporation, insurance on their deposits, they require the approval of that agency, also.

Q Could you tell us what happened to that first Burritt Savings Bank application in 1969?

A The application was disapproved, declined by the Bank [1762] Commissioner.

Q Now, do I understand that Burritt has made a second application?

A Yes.

Q Incidentally, I didn't ask you this before, but do you have an idea of the size of the Burritt Bank?

A About a hundred and fifteen million dollars in deposits.

Q Second application that you described, I take it, is now pending, is that correct?

A Yes, it is.

Q And to whom was that application made?

A To the Bank Commissioner of the State of Connecticut.

Q And was it also made to the FDIC?

A Yes, it was.

Q Did your bank take any action, Mr. Morris, with respect to that second application which is now pending?

A We opposed it.

Q And would you describe the manner of your opposition to it?

A Basically, the same as our first opposition, that is: a letter to the Bank Commissioner outlining our—the reasons for our opposition.

Q What happened with respect to the—question withdrawn.

[1763] Was any action taken by the authorities with respect to that second application?

A The application was approved by the Bank Commissioner and the FDIC.

Q Subsequent to the approval by the Bank Commissioner and by the FDIC, did your bank take any further action with respect to the Burritt application?

A We are appealing the decision.

Q How are you proceeding to appeal the decision, sir?

A Through the courts.

Q Have you instituted legal action with respect to that decision?

A Yes, I have. I'm sorry. I misunderstood.

Q Do you recall against whom your action was instituted?

A It's instituted against the Bank Commissioner and the Federal Deposit Insurance Corporation, two separate actions.

Q Those are two separate actions. Are those actions now pending?

A They are now pending.

Q What was your objective, or what was your objective, Mr. Morris, in instituting those legal actions?

A To have the decisions reversed.

Q I ask you to explain why you seek to have those decisions reversed?

[1764] A We feel—that is: the management and the board of directors, Simsbury Bank—feel that our area is becoming seriously overbanked, that is: there are too many banking offices relative to the population base and the nature of the population, and we feel that there—additional banking facilities are neither necessary nor desirable and they would be detrimental to the continued financial success of the present bank facilities in the area.

Q You believe that the appearance of another savings bank office in your community would be detrimental to your bank?

A Yes, sir.

Q Would you explain that, sir?

A We consider savings banks very serious competition. In the case of our particular institution, about 60% of our deposits are savings and other time deposits, which—which is the area we compete very directly with the savings banks, and about 75% of our total loan volume, are types of loans that savings banks can make.

Q Do you anticipate any additional competition from savings banks in the future?

A We do. We expect that the savings banks will, in due course, receive some sort of third party payment powers, referred to as demand deposits.

Q Mr. Morris, to your knowledge, are there any other [1765] applications now pending by financial institutions to establish branches in your service area?

A Yes, there is one other application.

Q What is that, sir?

A That's by the Windsor Federal Savings and Loan Association to open a branch in Granby, Connecticut.

Q Has your bank taken any action with respect to that application?

A We have notified the Federal Home Loan Bank Board in Boston, who is the regulatory authority in charge of federal savings and loan associations, that we will oppose this application.

Q On what grounds, sir?

A That the proposed branch is neither necessary nor desirable, and that it will have an adverse effect on the operation of the banking offices currently serving the Granby market.

Q You regard the savings and loan institutions as also competitive with your commercial bank?

A We do.

Q In what respect, sir?

A In almost the same respect as savings banks. The powers that they have are very similar to the savings bank powers, directly compete with a major part of our business.

MR. BELL: May I mark these for identification? [1766] I think I'm up to 77.

MR. BOYER: That's correct.

Q Showing you, Mr. Morris, Defendants' Exhibit 77 for Identification—as you if you can identify that document, sir?

A It is a copy of our appeal to the Federal Deposit Insurance Corporation.

Q Does that bear a title, sir?

A I'm sorry?

Q Does that bear a title?

A Want me to read the title?

Q The document itself is entitled as a complaint, is it not, sir?

A Absolutely, yes.

Q Is this the complaint in your action against the FDIC?

A Yes, sir.

Q And it is currently pending?
A Yes, sir.
Q Let me identify one more—would you examine Defendants' Exhibit 78, sir, and describe to me what that is, if you can?
A This is our complaint—our substitute complaint in our action against the Bank Commissioner.
Q Is that action pending?
A It is pending.
MR. BELL: I'll offer these.
[1767] THE COURT: Full exhibits.
MR. BELL: That's all I have, Mr. Morris, thank you.
THE COURT: Mr. Morris, let me ask you this: You would consider yourself the president of a rather small bank compared to the banks in Hartford and the banks involved here?
THE WITNESS: Yes, sir.
THE COURT: How do you feel this particular merger affects you, if at all?
THE WITNESS: Your Honor, I wouldn't see a direct affect on our bank.
THE COURT: I'm talking about the CNB and First New Haven.
THE WITNESS: Right.
THE COURT: Cross examination.

CROSS EXAMINATION

BY MR. BENTKOVER:

Q Mr. Morris, your bank is nowhere near the two defendant banks in this action, is it, in terms of geographical proximity?
A No, sir.
Q You are not in their market areas, are you?
A No, sir.
Q So you wouldn't expect to feel any effect, then, from [1768] this merger, would you?
A I wouldn't expect to.
Q If two large banks in your market merged, might you feel an effect?
A Conceivably.

Q I believe you stated that your bank is a subsidiary of First Connecticut Bank Corporation, is that correct?

A Correct.

Q And that's a multi-bank holding company?

A Yes, sir.

Q And what are the other subsidiaries of that company?

A The United Bank and Trust Company in Hartford and the New Britain National Bank in New Britain.

Q And this company was organized in the year 1970?

A Yes, sir.

Q Prior to the organization of the company, was your bank affiliated with the other two subsidiaries?

A No, sir.

Q So, then, that when your bank joined with the other two and First Connecticut Bank Corporation, this was the first relation or affiliation between the three?

A Yes, sir.

Q And what was the reason you chose to join with the other two subsidiaries in a multi-bank holding company rather [1769] than through a merger?

A The principal reason was we felt that we could be more competitive in our particular suburb and market as an independent bank.

Q Could you be more specific?

A That we served a very small and defined trade area, a suburb of Hartford, and that we thought that a small independent bank in this trade area would be more effective in competing for the deposit volume in our area.

Q Are there any other advantages which you saw for the multi-bank holding company?

A Oh, yes, the advantages of size, of scale, the reason —the principal reasons we put it together.

THE COURT: That comes to mind. In other words, you wanted to keep your small, independent type image, is that correct?

THE WITNESS: Yes, sir.

THE COURT: So why did you look around for some brothers to join in? What were the advantages to your bank?

THE WITNESS: The advantages, your Honor, I think are two or three very significant ones, there are significant advantages of scale, that is: we can do things through the holding company by common purchasing [1770] of supplies, common purchasing of insurance, common fringe benefit programs for employees of the banks, where we do get the distinct advantage of size.

THE COURT: Do your legal limits of lending go up, too, do you get that advantage?

THE WITNESS: Not—legally, we do not, we have the advantage of only working with one another, our lending limits remain exactly as they were when we were independent banks, and also, I'm sure these were brought out in the proceedings, banking has become a very complex and technical business, and the holding company vehicle enables us to hire special experts, expertise, in areas that we could not afford to hire as an independent bank, in the areas of investment or marketing. The three banks share the expenses of experts they couldn't hire themselves.

THE COURT: And the other two banks are commercial banks?

THE WITNESS: The other two banks are commercial banks.

THE COURT: And were they of the same relative size as you were when everyone joined?

THE WITNESS: No. The largest one is about three times our size, that's the United Bank in [1771] Hartford, and the second one is twice our size. We are the smallest in the group.

THE COURT: And in these conversations I suppose someone said, "Maybe we should merger instead of forming this holding company." Did that come up?

THE WITNESS: I'm sure—yes, your Honor. It was mentioned that—and there are several reasons it wasn't pursued. Number one, banks and their people lose their own identity with a merger, and number two, that—as we mentioned—as I mentioned earlier, I thought we could better serve our own trade markets retaining our own identities.

THE COURT: All right.

BY MR. BENTKOVER:

Q Are you aware that Connecticut has passed holding company legislation?

A Yes, sir.

Q Did your three banks, which are now subsidiaries of First Connecticut Bank Corporation, play any role in obtaining that legislation?

A We encouraged it.

Q What was the reason you encouraged the legislation?

A Our counsel had advised us that such enabling legislation was necessary for us to form this holding company.

[1772] Q So prior to the enactment of that legislation you did not believe that you would be able to form a holding company, is that correct?

MR. BELL: I think he's asking for a legal conclusion of a witness who is not a lawyer and that's a matter on which we have submitted that legal memorandum, and I think it is beyond the competence of this witness?

THE COURT: Well, if it is, he can say so. Were you acting on the advice of counsel?

THE WITNESS: Yes, sir.

Q So in acting under the advice of counsel, without this legislation you would not have formed the holding company, is that correct?

MR. BELL: Well, I object to that on the same grounds. It is one thing, if your Honor please, to ask the witness' opinion if there are other parties involved, that becomes hearsay, and I object to that, too, your Honor.

MR. BENTKOVER: I'm not asking for his conclusion. I just wondered whether if the holding company legislation were not enacted, he would have done the same thing, defendants have contended that this legislation was not necessary for the establishment [1773] of holding companies.

THE COURT: Well, let's get his opinion.

THE WITNESS: I don't know what we would have done had there been no legislation.

MR. BENTKOVER: I have no further questions.
THE COURT: Redirect?
MR. BELL: Nothing, your Honor.
THE COURT: You are excused, Mr. Morris.

(Witness excused.)

THE COURT: May I ask this: if this merger was not contested by the government within the period of 30 days, I guess, or whatever period of time, other banks would come in and start a suit, is that correct?
MR. REYCRAFT: Yes, sir.
THE COURT: I know there's a difference.
MR. REYCRAFT: They have to come within 30 days, after 30 days it's exempt from both public and private suit, but within the 30 days they could.
THE COURT: Has anyone, or any agency, to your knowledge, taken surveys of what the other banks had to say about this particular merger? Are they solicited, is someone going around saying: "How do you think this merger will affect your bank"?
[1774] MR. McENERNEY: May it please your Honor, we have gone down to the Regional Comptroller, and he will testify as to the types of investigation that is made in the normal merger proposal, and specifically as to this one, and I think that—I don't want to presuppose what his testimony will be, but, yes, the answer to your question is: yes.
THE COURT: I don't know if it has any relevance, but were there any private actions also filed?
MR. McENERNEY: Not at all in this.
THE COURT: I'm saying with respect to this one.
MR. REYCRAFT: There were none against your—
THE COURT: Is there any prohibition against one being filed in the government acts?
MR. REYCRAFT: No, the government does not bar a private action, there can be simultaneous actions by the government and a private party.
THE COURT: Has that happened on many occasions?
MR. REYCRAFT: I know of one occasion on which it did happen. There was a stockholder's suit pending and then the government filed a complaint to enjoin a bank

merger, and then the stockholder amended his complaint to amend a private antitrust cause of action as well. That's the only one I know about.

[1775] THE COURT: We will recess until 2:15.

(Recess taken for lunch.)

[1776] AFTERNOON SESSION

THE COURT: Are the parties ready to proceed?

MR. REYCRAFT: Yes, your Honor.

MR. CLARK: Yes, your Honor.

MR. REYCRAFT: Your Honor, the defendants have one additional witness, Thomas Richardson, who is scheduled to be here tomorrow morning. Mr. McEnerney—pardon me—perhaps one more.

I should say we have issued a subpoena to the State Superintendent of Banking to discuss the holding company issue, the charter—new charter problem that has come up in testimony. And also Mr. Krafchik has prepared an exhibit along the lines of the one that Mr. Terzakis discussed this morning, giving effect to the divestiture of the three offices under contract from the standpoint of the First New Haven—from the standpoint of the Connecticut National Bank.

Mr. Terzakis sponsored an exhibit this morning giving the effects of the divestiture from the standpoint of the First New Haven, and if there's no objection, we can submit that exhibit.

THE COURT: I should understand that exhibit a little bit more than I do, and I am candid to admit, but I'm still having difficulty.

[1777] In the left-hand column, if it says: 1,100, and then in the right-hand column after divestiture it says: 170, does that mean 170 accounts have been divested, or the 170 is what's left after the divestiture?

MR. REYCRAFT: Your Honor, the exhibit shows, as I have it, on the extreme left-hand side a total of 11,942 accounts, and after the divestiture, as I understand it, 1,041 accounts would be—would remain in First New Haven towns.

THE COURT: Okay. Would remain?

MR. REYCRAFT: Yes, there would be that extent of overlap. In other words, First New Haven would continue to have immediately prior to the merger, if you assume the divestiture were to take place, 1,041 accounts in Connecticut National towns, so that all of the overlap between the two banks in these towns, but for the 1,041 accounts from the First New Haven side, would have been eliminated.

And from the standpoint of Connecticut National accounts in First New Haven office towns, the divestiture would result in 1,782 accounts overlapping, remaining. [1778] Now, perhaps—I think, maybe, your Honor, I'll ask Mr. Terzakis to testify briefly to explain this exhibit, I think it might be helpful to the record.

THE COURT: No, he explained it, and he explained it, certainly, but, you see—I don't want to draw this out, but when I saw the figure in the right-hand column, I didn't know if that meant those were the amount of accounts that were being relinquished, or those were the amount of accounts that would remain.

MR. REYCRAFT: Remain.

THE COURT: You have answered that. That's the only question I have.

MR. REYCRAFT: All right.

Then, the exhibit which Mr. Terzakis prepared should be marked as 79.

MR. BOYER: Mr. Krafchik.

MR. REYCRAFT: Krafchik.

Also, your Honor, we have a copy of a complaint which was filed by the United States against the Fort Worth National Corporation and Mutual Savings and Loan Association in Texas, which is a consolidation of a commercial bank and a savings and loan association in Texas; and the relevance [1779] of this complaint is that the Antitrust Division alleges that competition between the commercial bank and the savings and loan association will be eliminated and that that will constitute a violation of the antitrust laws.

So that we think it is perhaps a little bit inconsistent, but at least amplifies that they're contending here that

competition between commercial banks and savings banks and savings and loans on the other hand should be excluded, in fact, in a case which is now pending in Texas, alleges the consolidation of a commercial bank and a savings and loan association to be a violation of the antitrust laws.

MR. CLARK: May I respond? I have no objection to the introduction of the exhibit. I think it is hardly helpful here. The government did allege elimination of competition between these two national institutions in the submarkets within which they compete. And this is entirely consistent with the Supreme Court's holding in the Phillipsburg case in which it held that commercial banking is also a lack of commerce, so while we have no objection to the exhibit, it is in no way inconsistent with the government's position here.

[1780] MR. REYCRAFT: We also have a memorandum on law and bank holding acquisitions of de novo banks which has been served on both the Department of Justice and the Comptroller of Currency that we would like to submit for the record.

MR. CLARK: Your Honor, we will, of course, respond on this, what we consider to be a legal issue. We have nothing at this time, and I don't anticipate that we will within the near future. It was my belief and my opinion that all parties would do this in their trial briefs, and I didn't know the defense was going to do it, but I simply want to indicate that, of course, we will—out our position on this.

THE COURT: By all means.

MR. REYCRAFT: Also, on the exhibits which have been marked by the defendants 1 through 52 have been stipulated into evidence by the government. The remaining exhibits up to 80, which I have just marked, have not been stipulated, and I would like to offer them at whatever time is appropriate. I don't know if there's any objection from the government.

MR. CLARK: We have no objection.

[1781] THE COURT: Without any objection, they all may be admitted as full exhibits.

MR. REYCRAFT: We have also a commitment to the Court on statements by Mr. Chadwick on behalf of First New Haven and Mr. Hawley on behalf of Connecticut National as to the market areas, and we will have those submitted, I believe, by tomorrow morning.

THE COURT: No hurry.

Were all your exhibits, Mr. Bell, marked as full exhibits?

MR. BELL: Yes, your Honor.

THE COURT: They were marked for identification.

MR. BELL: They were offered as full exhibits, 76 and 77 and 78.

THE COURT: Well, are there any exhibits that are still pending identification?

MR. CLARK: I'm not sure, your Honor, I'd have to check the record. We marked a couple after our first batch were marked for the trial.

THE COURT: Perhaps at a convenient time counsel can get together with the clerk before the end of the trial, just to make sure we—

MR. REYCRAFT: I have no objection to those that Mr. Clark has marked during the—subsequent to the [1782] stipulation, so they can go in, as far as we're concerned.

THE COURT: Very well, they all may be marked as full exhibits.

MR. REYCRAFT: Mr. Bell also has a memorandum of law, your Honor, which he can describe.

MR. BELL: No, I didn't.

MR. REYCRAFT: Excuse me.

MR. BELL: That's all right. I don't know if these are exhibits or not. Did you want those marked, your Honor, or not?

THE COURT: What's that?

MR. BELL: That letter from the—this is a letter from Mr. Chadwick who is out of town for the next couple of weeks, your request of him was to send you a note or a letter as to what he thought his service area was.

THE COURT: I think that should be marked as an exhibit, because that actually is in place of testimony.

MR. BELL: This is the letter, and that would be 81.
THE CLERK: 81.
MR. REYCRAFT: I believe that Mr. McEnerney is prepared to proceed, your Honor, and we will go out [1783] of order.
THE COURT: Very well.
MR. McENERNEY: Call Mr. Donovan, please.
[1784] JOHN L. DONOVAN, called as a witness having been first duly sworn by the Clerk of the Court, was examined and testified as follows:
THE WITNESS: John L. Donovan, 7 Walnut Road, Wenham, Massachusetts.

DIRECT EXAMINATION

BY MR. McENERNEY:

Q Mr. Donovan, would you describe your present position?
A I am Regional Administrator of National Banks, the First National Bank Region, Boston Massachusetts.
Q How long have you held that position?
A A little bit over three years.
Q Could you tell me, prior to holding the position as Regional Comptroller, what positions in the Comptroller's office you have held?
A I was appointed Regional Administrator in July of 1969; for the period December 1968 through July of 1969 I was Deputy Regional Administrator in Boston, Massachusetts; for—from January 1967 through December 1968 I was an Assistant Chief National Bank Examiner in Washington, D. C.; from March 1964 through December 1966 I was a National Bank Examiner in the Fourth National Bank Region, Cleveland, Ohio; and from December 1960 through March 1964 I was an Assistant [1785] National Bank Examiner in Cleveland, Ohio.
Q Mr. Donovan, could you give us your educational background?
A After attending and graduating from parochial schools in Columbus, Ohio, I graduated from Xavier University, Cincinnati, Ohio, in 1958 with a Bachelor of Arts

Degree, and in 1967 I graduated from the Stonier Graduate School of Banking, Rutgers State University, New Brunswick, New Jersey.

Q Have you been an instructor in connection with banking?

A Well, yes. In addition to my formal education, I've taken a number of banking courses, and then, during my period with the Comptroller's office, I have taught at both regional schools in Cleveland, Ohio, and in Boston, Massachusetts. In addition to this I have delivered speeches to various banking groups and banking courses, such as the American Bank Institute and the Bank Administration Institute.

Q Tell us, please, how many regions the United States is divided into for the purposes of the Comptroller's office administering national banks.

A The Comptroller's divided the United States into fourteen national bank regions. The regional headquarters are located in the major cities throughout the country in the geographic areas which the region covers.

[1786] Q Which region are you in?

A As I said earlier, the—this is the First National Bank Region, and it covers the six New England states of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island and Connecticut. It differs slightly from the First Federal Reserve District, which covers all of the six New England states with the exception of Fairfield County, Connecticut, and in the Federal Reserve system Fairfield County is in the Second Federal Reserve District, New York.

Q That is administered out of New York, is it?

A New York City, New York, yes.

Q Your main office is where?

A Boston, Massachusetts.

Q Do you have any subregions?

A Yes, we have subregional offices in all six states. In Connecticut we have one in Hartford, which is manned by two Examiners and seven assistants. In Springfield we have two Examiners and six assistants; they also assist in the examination of Connecticut banks. And in

Providence we have two Examiners and seven assistants, and they do some of the banks in Eastern Connecticut.

Q Could you explain to us the duties and responsibilities of your job as Regional Comptroller.

A Well, my primary responsibility is to be the [1787] Comptroller's representative in the First National Bank Region and to supervise the condition, solvency and liquidity of the national banks. This is primarily through the examination process.

In addition, I also supervise and investigate all applications for charters, branches, relocations of offices, and merger or acquisition applications.

And then, finally, I have the normal managerial duties of any supervisor with people working under him, such as personnel promotion, review of performance and the like.

Q Would you tell us how many people you have employed in your office?

A As of October 31st we had a total complement of 119 people. Four of these are part-time cooperative students that work for us for a period and then go back to college, and 115 full-time employees. The office staff numbers 13, eight of which are clericals and five are regional officials. We have nine trust examiners who concentrate solely in the examination of the trust departments of the banks, and the balance of 92 are commercial examiners. They examine the commercial side of the banks. That number is divided into approximately 30 commissioned examiners and 62 assistant examiners.

[1788] Q Could you tell us the number of national banks that your region supervises and examines?

A As of June 30th we had 206 national banks in the six states. This is now 205 with the conversion of the Second New Haven Bank.

Q Does your office only examine national banks?

A That is correct. As a general rule we only examine national banks. We reserve the right to make an examination of any state bank that desires to convert, though.

Q Could you tell me how many national banks are headquartered in Connecticut?

A As of December 31st there were 26 national banks headquartered in Connecticut. Four were unit banks in the sense that they did not have any branches, and the other 22 were—did operate branch offices.

Q Is branch banking allowed in Connecticut?

A Yes, it is permitted by the Connecticut State Statute.

Q Can you tell us how long it has been authorized?

A Prior to 1933 branching was not allowed in Connecticut, and at that time they adopted their branching statute, which included the Home Office Protection clause. The statute has been amended from time to time since, but [1789] they have never disturbed the Home Office Protection aspect of it.

THE COURT: Is that an unusual statute, the Home Office Protection Statute, or do many states have that?

THE WITNESS: No, your Honor, it's common when you—to a certain extent that—there are approximately eighteen states that permit statewide branching with certain modifications, and Connecticut is included in the statewide branching category. There are sixteen states that restrict it on a—to a lesser degree than statewide, and there are sixteen states that do not permit branching at all.

But the limitation for home office is common in some states.

BY MR. McENERNEY:

Q Could you tell us how long Hartford, New Haven and Bridgeport have been closed?

A Well, to my knowledge, there has been at least one bank in each town that was chartered prior to 1933, so they've been closed since the inception of the branching statute.

Q Would you tell me approximately how many branch [1790] offices are operated in Connecticut at present?

A As of—including both national and state banks?

Q Yes.

A As of June—or as of December 31st there were

approximately 470 branch offices and an additional 61 commercial bank main offices, for a total of 531, I believe, banking offices, commercial bank offices.

Q In your opinion, do out-of-state banks compete in Connecticut?

A Based upon my personal knowledge of the Boston banks and my access to the work papers of those examinations, I am aware that they have some credit extensions to Connecticut-based companies. I would presume that they also receive competition from the New York-based banks. There is a little from the Providence banks, but not to the extent of Boston and New York.

THE COURT: I think one of the things you said is that you are here representing the Comptroller—or is the Comptroller going to testify?

MR. McENERNEY: No, he is not, your Honor.

THE COURT: Doesn't the Comptroller make a much stronger statement than you just made on that point? I may be wrong, because I have not read [1791] his opinion in some time, but—

MR. McENERNEY: You are speaking now, your Honor, of the competition from New York?

THE COURT: Yes. My recollection is that the Comptroller said something to the effect that the Boston and New York banks canvass Connecticut from border to border, and then he goes on, "and rightly so" or something; so I will find that in his opinion.

I am just wondering if this witness agrees or disagrees with what I thought was a much stronger statement, but when I find the statement we will read it for the record and we will weigh it later on.

THE WITNESS: Well, your Honor, what I was attempting to do was—on my personal knowledge, which is limited to those banks in the First Region—I do not have access to the reports of the Second National Bank Region, which New York is in—there is a degree of competition from the Boston banks.

THE COURT: Let me read what is among the statements. Perhaps there are others, but this is the one I had in mind:

[1792] "Constituting as it does such a lush banking market, the large billion- and near-billion-dollar institutions in New York, Boston and Providence have canvassed it from border to border in search of business, and rightly so."

I get the impression from that it is a little bit more than extending some credit to Connecticut-based businesses.

I would like to know what your opinion is. Do you agree with that statement that I just read to you?

THE WITNESS: Well, very definitely, your Honor. I have met, through bank conventions and bank meetings, the corporate men of these—both the New York-based banks and the Boston-based banks, that call in Connecticut and are—I'd be willing to bet are present in the state at any one particular time. There are several of them, and they are calling on these customers.

I have no personal knowledge of their degree of success in these call programs, but I have heard testimony here in court that there is 500 million dollars of business going down to New York City. I'd be willing to believe that.

[1793] THE COURT: This is as good a time as any to find out several things:

One, do you decide what your recommendation is going to be only on personal knowledge as a Regional Administrator? For example, it seems impossible, incredible to me, that you can make any decision that is put in front of you based on personal knowledge, if we are using the term as lawyers use it.

For example, if First New Haven National says "We have 1,302 installment loans," you do not come down and count them, do you?

THE WITNESS: No, your Honor, we do not.

THE COURT: I mean, let's get some ground rules straight here. Are we going to hear opinions based on his personal knowledge or based on an expert who represents the Comptroller?

MR. McENERNEY: Yes, your Honor.

BY MR. McENERNEY:

Q Let me ask you this:

Do you know what the lending limits are of some of these larger banks in New York and in Boston? Do you know the size of some of these banks?

A I am—I know the size of some of the larger banks [1794] in New York.

The First National City Bank is up around 30 billion dollars.

Chase Manhattan is somewhere around 27 billion dollars.

They scale down from there.

The Morgan Guaranty is, I believe, somewhere around 11 billion.

The largest bank in Boston is the First National Bank of Boston, which is—has combined assets of about 5,400,000,000.

The National Shawmut Bank of Boston has assets of about a billion two hundred million.

State Street Bank of Boston has assets of about a billion one hundred million.

And New England Merchants National Bank of Boston has assets of around 950 million dollars.

Q Where do these banks rank in the size of all banks in the United States?

A Well, the New York banks rank from second to about eighth in size out of the top ten. There might be one or two in there. The First National Bank of Boston ranks somewhere around fifteenth or sixteenth in size in the nation.

[1795] Q How would you compare their lending limits with those of the two banks involved in this consolidation?

A Individually? Taking each one of these separately, the Connecticut National and First New Haven?

Q I think in general terms.

A First New Haven separately—if you take the First National Bank of Boston, their lending limit would be around 40 million dollars, and I would expect that would be about ten times. Better than ten times the Con-

necticut National's; thirteen times. Theirs is around 3 to 3½ million, so 40 million would be about thirteen times.

Q How would the lending limits of the two banks involved in this consolidation compare with the Hartford National and the Connecticut Bank & Trust lending limit?

A The Hartford National's lending limit is about nine million dollars, and that would be about two times the—a little bit better than two times Connecticut National's. It would be about three times—better than three times First New Haven's. I'm not that familiar with Connecticut Bank & Trust's lending limit, but I believe theirs is around—between eight and nine million, and again it would be two to three times greater.

Q Do you know the types of accounts or the types of businesses that the New York and the Boston banks tend to [1796] compete for in Connecticut?

A Yes. They compete primarily for the major corporate accounts, the large, national concerns that are doing business within the state, the insurance companies, the manufacturers and that type of account.

Q Do you feel that these larger lending limits give them a competitive advantage?

A Well, I think that they very definitely do, because most—first of all, most bankers would like to have the customer shop at one place, and then most customers, I feel, would like to minimize the number of banking contacts that they have to maintain. And so it's —it's, you know, in effect, a two-way street.

Q Does your office regularly examine the two banks involved in this proposal, in this consolidation?

A Yes, we do. The statute requires that we examine banks three times in every two years, and we stagger the examination for the surprise element, but we examine the banks roughly anywhere between eight and twelve months apart.

Q Are you familiar with the banking structure in New Haven, Fairfield and Litchfield Counties?

A I am more familiar with the banking structure in Fairfield County and in New Haven County due to the

limited [1797] number of banks in those two counties as opposed to Litchfield, where you have many more smaller banks. But I do have some knowledge of all three.

Q Are you familiar with the deposit structure and available banking business in these counties?

A Yes, I have reasonable knowledge of it. You measure this by the population, by the number of—by the size of the banks in those counties and by employment figures, sales figures and data such as that. It's a rough approximation of the available business there to compete for.

Q Did your office investigate the proposed consolidation involved in this case?

A We did make the investigation, that is correct.

Q Can you tell us who made the investigation and the approximate length of the time that it took?

A Well, as is office practice, prior to our Washington office accepting an application for a merger or a consolidation, the data is reviewed for its completeness. The applicants are then told that it is acceptable for filing. At that time they also deliver two copies to my office in Boston, besides the thirteen copies they deliver in Washington. This permits us to get a head start on the investigation process in that we select an examiner and give him the data so he can de some initial investigation and [1798] review of the data. We are subsequently notified by Washington that they have accepted the application, and at that point we designate this examiner to commence his investigation on the scene.

We selected Senior National Bank Examiner Lawrence W. Verno to make this particular investigation. He is the Senior Examiner in the Hartford headquarters here.

Again, as normal, he got—he received the application and supporting documentation several days in advance, and he had approximately eight days to make the investigation in the field and to write his report and return it to me. This is the normal procedure in this case.

Q Who would your examiner normally talk to in the field?

A Well, he starts out and reviews the various criteria for the—for the merger investigation, and then he goes down and tours through the market areas and the service areas of the two banks involved. He will call on competitor bankers and he will conduct what we call man-in-the-street type interviews. He'll try to call on some of the businesses and some of the local populations.

Q Did he in this case talk with bankers in the banking areas of the Bridgeport-New Haven area?

A Yes, he did.

[1799] Q Do you know whether or not there were any protests or objections?

MR. CLARK: Your Honor, at this point I would like to raise objection. It is hearsay. If he is going to get into this examination report, then I think it should be made available to the parties and, if necessary, put in the record.

MR. McENERNEY: Your Honor, I will withdraw the question. I merely asked the question because you raised a point before our lunch break as to whether or not there was any protest in this case. That is the only reason why I asked him the question.

THE COURT: You can ask him, as the Regional Administrator, has any formal protest been entered by any other party; in his capacity as a Regional Administrator he should know. But what you have asked him is if he knows if Mr. Verno heard any complaints. There is a big difference.

But, if there is an official file which contains letters of recommendation, objections, things like that—I assume he is custodian of the documents in his office—

MR. McENERNEY: Yes, your Honor.

[1800] THE COURT: —and I assume that any other banks that is interested would be heard one way or another, would put things in writing, just as Mr. Morris testified to this morning. I cannot picture the bank administrators leaving it to conversation.

MR. CLARK: Your Honor, the Government's position is, however, if this is to be brought out through testimony, that it is not best evidence; hence, since Mr. Donovan himself did not conduct any of the in-

vestigation, if this is a matter of investigation in some file, then that file should be made available and, it appears to me, should become part of the record.

THE COURT: The door is opened on it. I will leave it to counsel. I am just saying if the Regional Administrator is asked has any formal protest been filed in his office, he is in a position to answer yes or no. Where we go from that is cross-examination.

BY MR. McENERNEY:

Q I will ask you the question:

Has any formal protest been filed in this case?

A There were no formal protests filed.

[1801] MR. CLARK: Your Honor, may I now ask that that report be made available?

THE COURT: Which report?

MR. CLARK: The investigative report, and, indeed, the entire file from which Mr. Donovan is drawing his conclusion that there were no protests. That should be made available.

THE COURT: Hasn't the Examiner's file been made available to you?

MR. CLARK: No.

MR. McENERNEY: Not the Examiner's file, your Honor, no. As a matter of fact, I asked him whether there was any formal protest letter that came to his office, and I will be glad to let you examine that portion of the file.

MR. CLARK: All right. Is that your only question, whether there were letters of protest?

MR. McENERNEY: That is all.

MR. CLARK: You are not asking him whether or not Mr. Verno or anyone else—

MR. McENERNEY: I withdrew that.

MR. CLARK: So there is nothing in the record that would show what the investigator's report contains or whether or not any bankers expressed [1802] any misgiving to him about this merger; is that correct?

MR. McENERNEY: That is right.

THE WITNESS: I believe we were following the

process through of the investigation of the application, and once Mr. Verno completes his investigation in the trade areas of the merging banks, he then files a letter report with my office. At that point in time I review the application and supporting documentation from the applicants, I review the report of Mr. Verno, and then I prepare a letter of recommendation which is forwarded to Washington with the investigation report and recommendation of the investigating examiner.

BY MR. McENERNEY:

Q Does your office also review branch applications?
A Yes, we do.
Q Do you also investigate these?
A The same basic procedures are involved with a branch investigation as with a merger investigation. There are several differences:

One, the application and economic brief is filed directly with the regional office by the applicants, and [1803] it is the regional office that reviews it for completeness.

And then, secondly, we normally are not as generous with the time of the examiner. We shorten the investigative time down to three days. The major reason for this is that normally the investigating examiner only has to go to the trade area of the proposed branch site, as opposed to going to two banks and their various market areas.

THE COURT: You took the occasion to explain where there was a three-day period for branches. Why the eight-day limitation? I mean eight days includes Sundays and maybe Saturdays, and bankers work generally on at least four of those eight days; it is depending on when he starts, I suppose. But what is the big rush, frankly?

As I sit here, we have a merger here that I am hearing de novo, and we have been on trial three or four weeks. I am just curious why a field man has eight days to do what we have been doing for three weeks, with the assistance of five attorneys on one side, four on the other, bank presidents, vice-presidents, et cetera, et cetera.

What is the reason for the eight-day limitation?

[1804] THE WITNESS: I may have misled you, your Honor, on that portion.

The eight days are what the records show. In this particular case the Comptroller has a standard policy that the investigating examiner's letter report and my recommendation must be returned to Washington within fifteen days of our receipt of notification, so this is the major reason why we generally allow the investigating examiner up to ten days and we try to process it in five.

At times we have gone over the time limit, but we stayed within the time limit in this case.

MR. McENERNEY: I think the answer probably is, your Honor, that we have made an effort, since Mr. Gibney left the administration and prior to Mr. Saxon, where four, five, six and up to eight and ten months would drag out on a merger application, on a branch—when Mr. Saxon took over in the early 1960's he made a sincere effort to try to make these things more prompt, on the theory that time is money with bankers and that they are entitled to a more prompt decision. I think that this time span we are speaking of is in line with that thinking.

[1805] THE COURT: Well, it does reflect economy, but does it also reflect on accuracy?

I'm not saying it does, unless there's something here that escapes me. But a major merger of at least two banks is investigated for eight days by one man seems to me to be a relatively short time to back up with underlying—with compilation of underlying facts any decision, that's the only thing that comes to mind. I just hadn't realized that.

In fact, even when I have had challenges, private challenges to bank branches, I didn't know that those examinations were only taking three days. But, anyway, this will have to go to weight, it certainly doesn't go to admissibility.

MR. McENERNEY: I think in addition the merger application form does tend to summarize and bring to a head the economic factors involved and many of the statistics, and I think that it is not as if we would go

out and do each of these items separately and distinctly. I think this would tend to shorten up the time period.

THE COURT: All right. Go ahead.

BY MR. McENERNEY:

Q Now, in connection with your merger and/or your branch [1806] applications, you make a recommendation, do you?

A That is correct. After the—

Q And who makes the final decision?

A The only decision in the case is made by the Comptroller of the Currency.

Q And could you tell us who sets the policy for approving these merger and branch applications?

A The policy is set by the Comptroller of the Currency. Regional administrators are kept informed of the policies in several ways. The Comptroller has the 14 regional administrators into Washington occasionally for staff conferences, there are bulletins, examining bulletins and banking bulletins circulated to the regional administrators and the field employees.

I receive copies of correspondence that are generated out of the Washington office on the current banking matters and problems, and then there are always the telephone calls to either the Comptroller or to the Deputy Comptroller in charge of the region in which to discuss the problems that I might have.

Q Can a group of individuals in any way open a new bank or branch office without some form of regulatory approval?

A No, they cannot.

Q Is there any other regulatory authority in the State of Connecticut that has comparable powers to the Comptroller of [1807] the Currency?

A There is. In the State of Connecticut it is the State Banking Commissioner.

Q And could you give us generally the number, the approximate number of State banks in Connecticut?

A There are approximately 35 commercial banks in

Connecticut under his jurisdiction. There are 68 savings banks under his jurisdiction, also. He also has jurisdiction over the savings and loans, of which there are approximately 17, and then he has one private bank and one industrial bank under his jurisdiction. These figures are as of December 31st, 1971.

Q Are you familiar with a press release issued by the Comptroller of the Currency on February the 19th, 1965, concerning the limitation of new banking facilities in certain areas in Connecticut?

A I am familiar with the press release, yes.

Q I show you Intervenor's Exhibit No. 2 for Identification and ask you if that is the press release that I have asked you about?

A That is correct. This is the February 19th, 1965 press release.

Q Can you give this Court the substance of this press release?

A The Comptroller was announcing an action on a charter [1808] application—two charter applications in Houston, Texas, and at that point in time he also announced that a third charter for—application for Houston had been denied. The Comptroller, who at that time was Mr. Saxon, went on to state that it had become apparent that certain banking markets in the country were considered by his office, the Comptroller's office, to be closed for entry for a time being, primarily to allow the substantial number of new entrants in recent years to digest what had transpired and to become profitable and viable institutions.

Q Was any part of Connecticut included in that press release?

A Included in the press release was a statement that all major banking markets in Connecticut were considered closed.

Q Can you define the term "major banking markets" as used in this press release?

A As used in the press release and as interpreted by the regional office, it was those major population towns in Connecticut, such as Bridgeport—without limiting

it to these—but, Bridgeport, Hartford, Stamford, Norwalk, New Haven, New London, Norwich, Waterbury. There might have been one or two others there. I—

Q Do you know whether the policy as expressed in this press release has been revoked or rescinded by the replacement to [1809] Mr. Saxon, William Camp?

A The press release has never been rescinded by either Mr. Saxon or Mr. Camp to this day.

Q Has the policy behind this press release been strictly applied to new bank charters in Connecticut?

A Up until recently it was strictly applied, from the date of the press release. However, within the last six months, approval was given to a charter group in Stamford, which was one of the major banking markets, to establish a new national bank. The bank opened within the last three or four months.

Q Were state banks at any time covered by this press release?

A No, they were not. This spoke only to charter applications to the Comptroller.

Q Now, although the press release refers to—primarily to new bank charters, has this policy—do you feel this policy has any application to de novo branches?

A It was applied by the regional office to applications in the major de novo branch applications in the major banking markets.

Q And have you made a study of the de novo branch applications in your—in the State of Connecticut? In the major banking markets, since 1965?

A I had an examiner in my office review the branch [1810] applications in the major markets that we had received from the date of the press release through approximately July 31st, and other than those banks already doing business in those markets, no outside entrants, with one exception, were permitted to enter.

Q And how many instances are we speaking of since 1965?

A I believe there were 28 applications for these major bank markets.

THE COURT: I'm sorry, I'm just not following some of this. When you say that de novo branching was not

allowed into markets already established, aren't all markets already established in the State of Connecticut? I mean regardless of what area you are talking about.

MR. McENERNEY: I think he meant by banks already in the market. I'll ask him.

THE COURT: What — are you calling markets SMSA's?

THE WITNESS: No, your Honor, I'm not being that specific, but, for instance, if a Hartford bank wanted to branch into Hartford, we would accept the application. If outside entrant were to try to branch into Hartford we were falling back on the policy that there had to be a period of digestion in a major market.

[1811] THE COURT: What am I overlooking? Wouldn't home office protection be involved here, anyway?

THE WITNESS: Well, Hartford was a bad example Norwich, for instance, there was a period of time in which Norwich was open and if a bank existing in Norwich at that time had a branch in Norwich at that time wanted to expand their market or make a branch application in Norwich, we would entertain that.

But if an outside bank came into Norwich, we would not entertain that application.

THE COURT: Well, then, the testimony, that I have heard so far about Hartford banks spreading into Fairfield and New Haven, do I understand from your point of view that was all by mergers rather than by de novo branching? Or maybe you don't agree with the major premise that the Hartford banks have penetrated the Fairfield and New Haven markets in the last few years?

THE WITNESS: No, your Honor, I do agree that they have penetrated. I know the entry into New Haven was by merger. I'm trying to recall who picked up the bank, and in Fairfield, in the Town of Fairfield it was also by acquisition, that's correct.

THE COURT: So that you agree with the [1812] Comptroller's brief, which reads—somewhere—that the Comptroller is unwilling to look favorably upon de novo branching in the State of Connecticut. Now, I better read it to you exactly.

MR. CLARK: Your Honor, I think we ought to clarify that, in fact, Hartford National's entry into Fairfield was not by merger, but by de novo branching.

THE COURT: You know, I had thought that, but figured at some time in the future I'll look that up.

On Page 24 the Intervenor states, quote: "Intervenor believes that the Comptroller's unwillingness to allow significant de novo branch penetration by FNH into the area of CNB," and so forth and vice versa, you agree with that?

THE WITNESS: Yes, your Honor, I do.

THE COURT: That is a policy of—

THE WITNESS: That is a policy, yes, sir.

BY MR. McENERNEY:

Q When a national bank files an application for permission to establish a branch in an area where the bank already operates, what are the important factors used by your office in arriving at a recommendation?

A Well, there are several major considerations, and they [1813] are—have various parts. These major considerations are the condition of the bank, its management capabilities, its earnings, future prospects, capital adequacy, convenience and needs of the community and the legality of the branch.

Some of these are then subdivided. For instance, in the earnings area the question becomes how much of a drain will this new branch have on the earnings, under condition or capital adequacy, either one, how much is going to be put into the fixed assets of the—of the new proposed branch.

Some of them are considered and immediately set aside. In the question you asked, if they're already in the area, then I presume it's legal to branch there, so that that is not a question. But it is something we look at before we look at the rest of the application. And—but primarily in the situation you describe where the bank has already representation in the area and they wish to expand that, then we look to see whether there is sufficient available business to support that operation if that branch was not able to attract new business. And

we measure this from the population figures of the area, the businesses around, the examiners go out and look to see what business are located in that area, what the applicant projects as business he will attract, whether those figures are reasonable.

THE COURT: Will you hold up one moment?

[1814] (Answer read.)

THE COURT: We're talking about de novo branching, aren't we?

MR. McENERNEY: Yes, your Honor.

THE COURT: I thought you just told me a few minutes ago that the Comptroller did not favor de novo branching, except if the bank already is established in that general area?

MR. McENERNEY: Perhaps I should clear this up, your Honor.

THE COURT: Yes.

MR. McENERNEY: It's in the major banking markets, now, every city and every town—and Connecticut, we do not allege is a major banking market, we're thinking of the larger the communities—now, it may well be that most of those are closed by—for de novo branching purchases, but this is the way we have defined these, and this is what this press release was meant to cover.

THE COURT: Well, why would the Comptroller feel that way, what's behind that policy? In other words, if there's six banks in the City of New Haven, and CNB says, "I want to come into the New Haven area, and by de novo branching, and we're a new [1815] entry," but that's healthy, that's good, why should six banks have all the fat New Haven business, why could the Comptroller look with a jaundiced eye at that proposal?

MR. McENERNEY: Well, I think in New Haven, your Honor, we have picked a bad town because it is closed to de novo branching to a bank headquartered here in Bridgeport, so that CNB could not get in there in any event.

THE COURT: Well, it could get into Woodbridge,

maybe, or—I'm sorry, it could get into West Haven—is an open town.

MR. McENERNEY: It could get into East Haven and some of the other small suburban towns, and we have said that these are not what we call the major banking markets, these are not the population centers, as to those Mr. Donovan has made a study of an effort to examine each of the towns.

In Litchfield County there's 26 towns, CNB has one branch in the county, in New Milford, he has examined those, and I think will be able to testify as to what his recommendation would be to the Comptroller of the likelihood of First New Haven branching into any of those towns in that county, [1816] in that county as well as a likelihood of CNB further branching into those areas, he has looked at New Haven County, and he has made a similar study and he has also looked at Fairfield County and made a similar study, and I think he'll give you the results.

It may be confusing, the term "major banking markets". It is not intended to be a twist, but it is intended to cover the large towns, not the smaller communities, like Avon or some of these.

THE COURT: Well, the thing—

THE WITNESS: Your Honor—

THE COURT: Yes, go ahead.

THE WITNESS: —as I understood the question you were asking—is: why did the Comptroller state that these major markets were closed to de novo charter entry, and then why was it also applied to branches, and at that point in time, of the press release in the three years prior to the press release, the Comptroller had chartered approximately nine new national banks, and it has been the experience of our office that it takes anywhere from—well, a minimum of one year, but normally, it's anywhere from three to five years for a bank to become profitable [1817] and to establish itself in its community. That's not even beginning to restore the initial capital funds of the organizers, and to somewhat protect these new entrants during their nascent stage,

the Comptroller will restrict big competition from going in and picking on them.

THE COURT: Why wouldn't that apply to mergers, too? For example, if I am trying to protect nine new entrants into the general Connecticut market, I'd be less fearful if some little de novo branch opening up than I would be of some big merging resulting banks coming in and really doing a job on little, old new chartered bank.

THE WITNESS: Well, I would have to know who the applicant of the de novo branch was, your Honor, before I could really speak to that. But this is—because I think—I think the merger—or a merger is just the branches in existence at that time would continue in existence after the merger, and there one day and they're there the next.

THE COURT: One obvious answer, Mr. Donovan, is —and if I am incorrect, you tell me—one obvious answer is that you can protect a newly chartered bank more by merger than de novo branching, because de novo [1818] branching puts a new entrant into the market, and a merger eliminates one, so if you are trying to protect newly chartered banks, the merger—in places, in certain markets, can eliminate a competitor, whereas de novo branching adds one. I mean, is that what the Comptroller has in mind?

THE WITNESS: Your Honor, that's approximately what I was trying to say, and that's it basically, yes, sir.

THE COURT: What banks is he trying to protect, do you know, what are the nine banks?

THE WITNESS: Well, at that time—and this was in that period immediately prior—there was the Lincoln National Bank of Stamford, Connecticut, the Orange National Bank of Orange, which was chartered in '63, the Westport National Bank, the North Haven National Bank, the Hamden National Bank, Citizen's National Bank of Southington and the Constitution National Bank of Hartford.

THE COURT: Proceed.

BY MR. McENERNEY:

Q Does any single factor determine whether or not a de novo branch application will be approved or not? Or will be recommended, in your case?

[1819] A If you forget the legality question, which we would not accept a—a—a branch application if the applicant—if it was illegal for them—the applicant to branch into that location, then the remaining factors are—are accorded various weights based upon the facts in the application itself, and in that particular application. No one works as a black ball, it's kind of a weighing factor, and there's no magic formula or template that you lay down and check off.

Q How would you characterize each of the two banks involved in this proposal in terms of where their business is from?

A The—I think the most apt description of the two banks is that they are both local banks. The First New Haven National has confined their activities exclusively to New Haven and its immediate surrounding areas.

In the case of the Connecticut National of Bridgeport, the large majority of their branches are in Bridgeport and in remaining portions of Fairfield County. They do have one branch up in New Milford in Litchfield County, and they do have six or seven branches in New Haven County on the extreme western border of New Haven County, but they're primarily head office town oriented.

Q Do you feel that these two banks compete strongly outside of the areas wherein they have branches?

[1820] A I do not feel that they're significant competitors in the balance of the State of Connecticut. I think in their own particular areas, which would be primarily the Bridgeport and New Haven areas, that they are strong competitors. But they do not compete in other parts of Connecticut, no.

Q Well, do you feel that they compete significantly in the Orange-Milford-Darby-Ansonia area?

A It is my personal opinion that they do not. I think when one considers the relative size of the two

merging banks, that the business they have there versus the other banks that are presently located in that area, that it is not significant.

Q Are you aware that three branches are under contract to sell—contract of sale in the Orange-Milford-Derby-Ansonia area?

A I am aware of that—that agreement, yes, I am.

Q And do you have an opinion as to whether or not this would increase or decrease competition in this area?

A I think in the immediate area of—of the four towns, that it would very definitely have a procompetitive impact, as I understand the agreement, it will introduce the two major Hartford banks into this immediate area and—where they are not presently located, and I believe the branch in Orange is to be sold to a proposed new state chartered bank.

Q You said you were familiar with the available banking [1812] deposit business in Fairfield County, is that correct?

A That is correct.

Q Could you explain the importance of available banking business in consideration of an application for a de novo branch?

A Well, this is one of these—these weighing factors that are weighed under the convenience and needs consideration, and it also carries over into the—into the earnings prospects, that—and it is measured by the population, sales figures, what industries are located, payroll that are there, the degree of scale. Because it is—it is people and it is trade that generate bank deposits, and you have to have that in order for the branch to be successful. And the applicant must demonstrate that he has a good chance of obtaining a portion of that business that's there.

Q Did you recommend approval of this proposed consolidation to the Comptroller?

A I did recommend approval of the proposed consolidation, yes.

Q And could you tell us what your reasons were for this recommendation?

A Well, my initial reason was the fact that it is going to create immediately a third or fourth largest bank in the State which will be—which will have the financial resources [1822] and the capacity to go up against the major Hartford banks and hopefully will provide a better balanced banking structure in the State. The—and I think from that standpoint, which when it is—is going to be procompetitive. I think that they—the combined bank should be able to offer to the—the broad range of the banking public, not only the corporate customer, but also the proprietor type customer or the housewife, the retail business, say—a broader range of services. That, again, they will be able to acquire the expertise, say, in the international area and offer an alternate choice of service in some of these more esoteric areas like international banking, municipal financial services to the Connecticut towns and political subdivisions, a—an improved range of computer services, larger lending limits immediately comes to mind. They should be able to improve their trust services, and in consequence attract more business to the bank.

And these were the major reasons why I recommended that the Comptroller approve the application.

[1823] BY MR. McENERNEY:

Q In addition to the procompetitive effect that you mentioned with respect to the merged institution's ability to compete better with the Hartford banks, do you feel that there would be a procompetitive effect with respect to the sales of the three branches that you mentioned?

A Well, at the time I—I forwarded my approval on the application, I had no knowledge of that. I think its kind of like fronting on the cake. I think there's going to be—in that particular area it's going to have a particularly significant procompetitive effect.

Q Mr. Donovan, do you know the number of towns in Connecticut where neither Connecticut National nor First New Haven presently have offices?

A I have made a study of that. This study was made primarily with—I did have access to Dr. Peck's banking studies of the 165 towns that he was interested in.

I also did some research in the American Bank Directory and in the New England Bank Directory published by the National Shawmut Bank of Boston, Boston, Massachusetts.

But, based upon all these sources and—I came up with 136 towns in which the two banks are not presently located.

Q Do you know how many of these towns are open and [1824] how many are closed?

A Of those 136, 33 of the towns are closed towns and 103 are—are open towns.

Q Do you know—

A Of those 103 open towns, there are approximately 35 to 40 that have no bank presently in existence—

Q Do you have—

A —or office of a bank.

Q Do you have an opinion as to why these towns may not have any bank there?

A Well, with one or two exceptions, they are extremely small, the population is down well under 3,000, and most of them are in the 1,000 to 2,000 range, and it is somewhat difficult to make a bank or a branch profitable in a town with that small of a population.

Q Do you know in what counties of the state there are the greatest number of these nonbank towns?

A The majority of them are in the extreme northeast corner, in Windham County, I believe, and in New London County, which is more directly east, and Litchfield County has a substantial number of them also. These are all rural areas or large sections of them are devoted to state or national forests.

Q In connection with your stury, did you examine the [1825] towns in New Haven County where Connecticut National presently has offices.

A I have made a study of that, yes, of the New Haven County towns that CNB is presently located.

Q Can you tell us what towns they are?

A Connecticut National is in seven towns in New Haven County, Ansonia, Milford, Orange, Prospect, Southbury, Waterbury and Wolcott. Of those seven towns,

two are closed, Orange and Waterbury, so I did not even look at those any further.

THE COURT: Perhaps this is an appropriate time for me to ask, with the preliminary statement I am not sure it is relevant, but, in the event it might be: When were these studies made? After—

MR. McENERNEY: These were made after.

THE COURT: After this case was started or before?

THE WITNESS: No, your Honor's correct; these studies were made in preparation of my testimony here, after the application.

THE COURT: All right, go ahead.

A (Continuing) The Towns of Ansonia and Milford I did not study any further than the fact that these are the [1826] towns in which the branches were up for sale, so I ignored those.

In the remaining towns—that is, Prospect, Southbury and Wolcott—in all three they all presently have branches there, and, if you introduced one additional bank entrant, it would reduce the population per banking office substantially below the state average, which is a little over 5,600; I believe it's about 5,630.

Furthermore, in the Town of Wolcott there is a state charter application pending with the State Bank Commissioner.

Q In New Haven County, could you tell us what towns First New Haven has offices in?

A First New Haven is located in ten towns in New Haven County. These are Branford, Derby, East Haven, Guilford, Hamden, New Haven, Orange, Wallingford, West Haven and Milford.

Of these ten towns, three are closed. That's Hamden, New Haven and Orange. So I didn't consider them any further.

In the Towns of Branford, Guilford and Wallingford, the additional—the addition of another entrant would reduce the population per banking office substantially below the state average, and I think, again, that it would make it [1827] more difficult for a new entrant to become successful and to become a profitable and viable branch.

Q How about in the Towns of East Haven and West Haven?

A Well, in that group you also have Derby, which is going to be sold, and then in East Haven and in West Haven the—they are fairly large; the population per banking office, if you add on a pro forma basis or if you add another banking office, would still be above the state average. However—if that's all you considered, I would say that, you know, they may be able to support an additional application; however, West Haven has had a difficult time with our office for one reason or another, and Connecticut National was denied applications in West Haven in 1967; we denied Hamden National Bank for branches in West Haven in 1966 and 1968; and in North Haven we denied an application for—or—I'm sorry—in East Haven we denied an application of the North Haven National Bank in 1968.

Again, this goes to the balancing process, that we weigh the—all these considerations, these seven or so considerations, at the time the applications were made.

Q Can you tell us in which towns in New Haven County neither Connecticut National nor First New Haven have branches?

A There are twelve towns in New Haven County in which [1828] neither applicant is located.

The Towns of Meriden, North Branford, North Haven, Seymour and Woodbridge are closed, so I did not consider those any further.

Beacon Falls and Bethany have no banking office within their borders. They both have populations under 4,000. They could probably support a branch office of someone. I think it would take a little longer to make it profitable.

Q What do you think the likelihood in a town—

A But I don't think they could support two, if you argue that for these two banks to compete they both have to be in there.

In the remaining Towns of Cheshire, Madison, Middlebury, Naugatuck and Oxford, they all have existing offices of either commercial banks or a combination of commercial banks and savings banks. Some of them, in

my opinion, could support an additional entrant. It comes back to, then, could they support the two that would be needed to provide this head-to-head competition between the two applicants, and in all these cases it would reduce the rough approximation of population per banking office substantially below the state average.

THE COURT: Two questions before we adjourn, [1829] because obviously we won't finish this witness today:

One, the witness keeps referring, as other witnesses have, to New Haven County. I would like to have counsel discuss whether the county concept is still a viable one in Connecticut, and, if so, which towns compose the New Haven County. The witness said ten towns in New Haven County, and I would like to know which ten.

Secondly, may I ask you this question:

Why does the Comptroller care how many branches open up in any town? For example, if five banks want to open up in Granby, Connecticut, why would the Comptroller feel it was his duty to second-guess the business opportunities that executives of banks have formed a judgment on?

I could see why you would want to intervene if anyone took action on an anticompetitive level. But I am curious about this statement that you have been making throughout the afternoon about we wish to see if the bank will be profitable, we wish to see if the population per bank is below a certain level.

May I just ask you a blunt question: Why?

[1830] THE WITNESS: Well, primarily because, as far as national banks are concerned, Congress has delegated to the Comptroller the regulation of them. I think the governing bodies both at the federal level and at the state level have reserved banking to their supervision to provide stable banking for the citizens of the country, and for some reason governments feel that if the banks fail, that it's detrimental to the whole community, as opposed to whether a gasoline station on the corner fails.

THE COURT: So is it one of your concerns not only to encourage competition but to make sure that things

do not get so competitive that the whole industry goes down the drain?

THE WITNESS: This is what I was trying to—the point I was trying to make, your Honor: that we have to try to carry water on both shoulders. We—besides just looking at the convenience and needs of the community or the competitive effects, we're interested, under convenience and needs, the condition of that bank, that it is not over-extending itself to where a possibility of failure would result in a lack of public trust in the [1831] banking industry.

THE COURT: This is limited to the banking industry, isn't it? Because the Clayton Act is concerned with other firms merging and performing other business ventures with an eye toward anticompetitive effects, but not with procompetitive. Or, to put it concretely, if Sears, Macy's and Gimbels and May want to open up in Granby across from each other and they all failed, the government does not have that under consideration, but in the banking area they do; is that what you are telling me?

THE WITNESS: Well, the government has several interests. I think the common—common good and the opinion of the—or the common good of the population is one consideration. You also must remember that most commercial banks are insured by a governmental agency, so they've got insurance interests in there also.

THE COURT: Maybe this is self-evident to you, but to me—you are telling me that sometimes too much competition is not good in the banking area, it could reach a saturation point where, instead of just leveling off and becoming neutral [1832] competition, it actually could be detrimental?

THE WITNESS: That is correct, your Honor, and this is what the Comptroller meant in '65 when he said "a period of digestion."

Here we had opened nine banks, nine new charters, in a three-year period prior to that press release, and they had found that—first of all, new charters get what's in the trade known as the reject business; they are turned down some place else so they go to the new guy

in town. So they sometimes have a problem with the quality of their loans. They generally operate at a loss for the first three to five years; I've seen some operate as long as five years at a loss. Their management has problems. Management is always a problem in a bank, and especially a new bank, to get this thing going.

So that in 1965 the Comptroller said "Time out; we want these banks to put roots down and get started, and digest this newness and attract the business, and let's become profitable and then we'll look at it again."

It is correct that the press release was never revoked; however, we will not summarily reject [1833] someone if they come in and file an application now, whereas right after the press release we would have, or told them "You are wasting your time."

THE COURT: Are you in a position now to say as a general rule now that the time out is about over, that the banks that were the concern of the Comptroller back in 1965 have been doing pretty well and are in a healthy state here in Connecticut?

THE WITNESS: Well, taking a quick look at some of these candidates—or some of these new charters, some are not in operation any longer, and the others have become profitable; and I think in all cases they finally recovered their initial capitalization, and they're now earning money on a profitable basis. There are—there is no bank in Connecticut on what we call our problem bank list, which is a bank in serious trouble. There is a kind of touchy area for me, because I'm—it is confidential.

[1834] THE COURT: Of course, if you get into areas where you exercise judgment and you are subject to having your judgments explored in a court of law, but as I look at the law, the courts should review these things de novo, and to the extent your knowledge is helpful, fine, to the extent you don't want to put it forward on the grounds of confidentiality absent objection, that's fine, too.

THE WITNESS: I definitely did not mean that, your Honor. I just meant that I'm not used to talking in public about this particular subject of condition, manage-

ment or earning, management of individual banks under my supervision.

THE COURT: Is that a matter of public record, I mean bank examiners are getting on the stand throughout this trial, and they're telling me how good this bank is doing and how good the other bank is doing?

MR. McENERNEY: I think what he is concerned about, he mentioned a problem list, and he forgot where he was, and he's concerned which banks are on a problem list and if there are none on it.

THE COURT: If there are none on it, I'm not interested in what problems exist in other states.

(Court adjourned at 3:50 p.m.)

[1835]

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF CONNECTICUT

Civil Action No. 14,583

UNITED STATES OF AMERICA, PLAINTIFF

vs.

THE CONNECTICUT NATIONAL BANK and THE FIRST NEW HAVEN NATIONAL BANK, DEFENDANTS

and

WILLIAM B. CAMP, COMPTROLLER OF THE CURRENCY, INTERVENOR

United States Court House
915 Lafayette Boulevard
Bridgeport, Connecticut
November 8th, 1972

Before:

Hon. ROBERT C. ZAMPANO, U.S.D.J.

[1836] Appearances:

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[1837] THE COURT: Are the parties ready to proceed?

MR. REYCRAFT: Yes, your Honor. Mr. McEnerney and Mr. Clark have agreed that we can take a witness out of order, if that's agreeable with your Honor.

THE COURT: Yes, it is.

Before we hear testimony, perhaps a statement of positions will be helpful to the Court as we go along. As you know, we have used this technique throughout the trial and it has been helpful to me. I do recognize that your briefs cover all points in law and in fact, but here is what's on my mind—and perhaps we can get a statement of position on it from counsel—the Clayton Act is directed toward prohibition of mergers that tend to substantially lessen competition, and although it is recognized that there is no litmus test for this, some commentators, and perhaps the Department of Justice, like to approach it from an objective point of view and say, in effect, that the more entrants in the market leads to procompetition which leads to lack of monopolies and leads to benefits to the consumer.

On the other side of the scale is the law that says even if there is less competition, but the convenience and

needs of the community outweigh the [1838] adverse effects of that lessened competition, then the courts may take that into account and approve the merger.

Then one expert said that you can reach a point where there's neutral competiton, where the more entrants into the market doesn't necessarily mean that the consumer is benefited proportionately.

For example, we have all driven down highways and we have seen one gas station, and the gas price may be 42 cents a gallon, a month later another gas station goes up next door, and it goes down to 41 cents, and maybe this goes on till the price is 39 cents with five gas stations. Then you can go back six months later and see ten gas stations, and the price is still 39 cents; and that thought came to mind and I asked if there was a theory in economics on this, and I believe the expert said: yes, they call that pure competition, or neutral competition.

Now, we learned yesterday, I believe, from Mr. Donovan, that there's still another dimension, and this is my question: Whether this is another dimension or whether it is encompassed within the general principles that I have mentioned. And the question is this, that I have: Mr. Donovan seemed [1839] to indicate that it is his duty, representing the Comptroller's office, to see to it that procompetition does not have adverse effects on banks. In other words, in effect, he's saying procompetition can have adverse effects which the Court should take account of, or saying it another way: that the rules should be whether a merger lessens competition adversely and not just whether it lessens competition. And he went on to imply that banks are subject to regulation, that's what Congress had in mind, and that it may be all right for the big department stores to open up next door to each other for a solid mile, and if the result is bankruptcy for all of them, well, that's the way business is. But certainly not a theory that should be applied in banking because of the Congressional intent and the importance of banks in the general economy.

What I'm getting around to: is that a new dimension to convenience and needs, or is that a principle encom-

passed within the theory of convenience and needs; Have I made myself clear?

MR. REYCRAFT: Yes, your Honor, very clear, very clear.

MR. CLARK: Your Honor, I want to make several [1840] points regarding the Department of Justice's position on this. First of all, your reference to—I believe it was Doctor Peck who testified about pure competition, or perfect competition—it is quite clear, and I think every economist would agree, that there's probably no banking market in the country which is enjoying this kind of market structure, pure competition, and, in fact, there are very few markets of any kind that can be classified as such.

Doctor Peck, I think, referred to such markets as produce markets. Doctor Murphy also testified on this point, and his examples were regulated, organized exchanges, for example, either commodity or stock exchanges, this sort of thing where there are many, many, many sellers and many buyers, so that the actions of no one seller or buyer can by itself affect the price.

Those are models very seldom, if ever, seen in the American economy, even though competition is perhaps the most significant factor in our economy.

The test which the Supreme Court has established for the measurement of the—of competition in a market is concentration, and this is beyond dispute at this point, there have been several cases in which [1841] the Supreme Court has set down standards of concentration which then indicate the degree to which there is competition, or at least the degree to which the market structure would foster competition, and it is the concentration ratio which the Supreme Court has told us that we must be most concerned with.

Now, in this case, the concentration ratios, plaintiff contends of how they're computed, whether on a SMSA basis, whether on a state basis, are so high that this merger must have anticompetitive effects. Either on potential competition basis in the local markets or on a statewide basis, the concentration which is the factor which the courts tell us we must be most concerned with is so

high that this is the inevitable result, and this is the legal conclusion which we—in court.

THE COURT: I appreciate your answer, and perhaps I misled you in trying to seek what's troubling me for solution. What I'm saying is aside from the fact—

MR. CLARK: Yes.

THE COURT: —is there a principle in the cases or in the legislative history of the Clayton Act that states that the anticompetitive effect must be adverse before there's a violation of the Clayton Act, [1842] or is there a principle that says if there is a lessening of competition, but convenience and need outweigh the benefits, the courts can also add another factor?

And to put it in the extreme, can the Court find there's a substantial lessening of competition which is not justified by convenience and need, but is justified by a finding that the lessened competition is beneficial to the banking industry in general?

MR. REYCRAFT: It is clear, your Honor, that the Court can do exactly that, and the legislative history of the amendments to the Bank Merger Act make it clear that even if the government proves a violation of the Clayton Act, which parenthetically we don't think they can here, even if the Court finds there is a violation, the Court can find that, nevertheless, the convenience and needs of the community are sufficiently benefited that the violation is outweighed by those benefits to the community, that can be done by the Court, yes, sir.

If I may go back for a moment to the question your Honor asked about where does the Court take into account this—the question of regulator's duty not to allow unbridled competition in banking. That, of course, has—it's—a historical perspective in [1843] that during the 1930's there were many bank failures and these bank failures resulted in depositors losing their money. It's not like Sears Roebuck or Montgomery Ward where the stores can say: okay, fine, Sears Roebuck, we want you to get out and compete and get all the business you can, and we'll take our chances. In the case of a bank—if you take, for example, a bank which has maybe 200 million dollars of assets, probably no more than 10% of that

represents stockholders equity, the deposits are all owned by individuals in the community who have their money in that bank, so that if a bank fails, it is not just the stockholders playing with their own money, they're playing with other people's money, and a lot of that money went down the drain during the 1930's, so Congress passed a number of laws, including the Federal Deposit Insurance Act, which provided for insurance for deposits, it restricted entry.

Banking is unique in many respects, in that unlike Sears Roebuck and Montgomery Ward, they don't have to go to a regulator and get permission to open a branch, but banks do, and the reason is that Congress decided that entries should be restricted so that banks aren't going to be put in a hazardous financial situation [1844] so that depositors' money will be jeopardized.

Now, that, we think, should be taken into account on the first side of the equation, that is: as to whether there is a substantial lessening of competition. When the government talks about potential when someone is a likely entrant or not, first of all, they have the burden of proving not only that at some time there may be some minor lessening of competition, it has to be substantial, it has to be reasonably probable, and it is one thing to say in a horizontal merger case, that is: a merger between two banks across the street, and that's what the Philadelphia National case was about.

In that case the Court was satisfied that the market shares were high enough and the amount of competition, direct competition that was eliminated was so large that that was enough to show a violation.

Now, there's no case in the potential competition area in which the Supreme Court has made a comparable determination. There are cases—the potential competition cases the Supreme Court has decided—or the Proctor and Gamble and Clorox case where Proctor and Gamble was the most likely entrant in the household bleach business —there is the General Foods, SOS case [1845] which is a Court of Appeals case, but concentration ratios are—that Mr. Clark is talking about, I'm sure what he is referring to are what are largely the merger cases be-

tween direct competitors, but when you talk about who's a potential entrant, nobody is a potential entrant unless the Comptroller of the Currency authorizes a branch.

We have home office protection, which you don't have in Sears Roebuck and Montgomery Wards business. There's nothing like that, so that all goes into factual determination as to what is the likelihood that one or the other of these banks will enter the other markets. We think that's a factual question, and the—just the legal ability of banks to enter each other's markets are very substantially circumscribed, and this is not true in other general kinds of industry.

[1846] MR. CLARK: Your Honor, if I can respond to that . . .

THE COURT: Take your time.

MR. CLARK: First of all, it is clear that the bank mergers are subject to the Clayton Act, and the Bank Merger Act provides for that—and, of course, the Supreme Court has so held. The test for the limitation of competition in a bank merger is the same as it is in any other merger.

There is this special defense which the Congress provided in the 1966 Act, and this is an affirmative defense, and it does say if the defendants can prove that convenience and needs of a community will substantially—and I emphasize that word "substantially"—outweigh the anticompetitive effects, then the merger may nevertheless be permitted.

The burden is on defendants; it is their burden to prove that, and it is their burden also under the national decision of the Supreme Court to prove that these benefits to the convenience and needs cannot be achieved in a less anticompetitive way; that is, they must prove not only that there are benefits but that they could [1847] not be achieved in any other less anticompetitive way.

But I come to this issue of regulatory approval:

Plaintiff contends that the issue of regulatory approval, if in issue at all, does involve an issue of convenience and needs. This is the intervenor's burden to show, we think, if he can show it at all—and we do not think he

can—that regulatory approval somehow is a barrier here to the over-all effect of this merger.

We contend, your Honor, that it is impossible for this Court or anyone else to know or to make a finding as to what a regulator might do in the future as to some unspecified time on some unspecified application. Instead, we say look at the objective facts, look at how these banks have expanded with regulatory approval in the past, look how in the past fifteen years the large banks in this state have moved out of their home towns, out of their own SMSA's, and become regional and statewide banks.

THE COURT: Actually, again, Mr. Clark, I am really not interested in the facts.

[1848] MR. CLARK: Yes.

THE COURT: I am more interested in the general principles.

Would you like to say something, Mr. McEnerney?

MR. McENERNEY: Just briefly, your Honor. I think Mr. Reycraft has summed it up well.

The problem that the regulator has, it seems to us, is what we would refer to as controlled competition; it is not to get on ahead, as your Honor mentioned yesterday —the Sears, Roebuck, Macy's. When we allow or disallow a bank to go into a town, we are concerned that they don't get to the point of banking for deposits so extensively that the liquidity of the bank or the solvency of the bank would become jeopardized.

So we are concerned about this, as Congress was. And your bank holiday—from 1921 through the early '30's there were, I think, 21,000 banks that went out of existence, and Congress is concerned with this and the regulator is concerned.

We do not allow this unbridled competition. We feel this might be appropriate in the business community, in the gas station instance, as your Honor mentioned, but this, I think, is what the [1849] distinctive points are between banking and business regulation.

On the procompetitive aspects, it is our position that the procompetitive could be put on the scale to weigh against whatever substantially anticompetitive effects the

plaintiff is able to prove. We think that on the other side of the scale should be put procompetitive as well as the other, convenience and needs.

THE COURT: I thought Mr. Donovan said, or at least implied, that if you put procompetitive effects and anticompetitive effects on the scale, even though the anticompetitive effects may outweigh the procompetitive effects, there are other reasons why we want that, why we want less competition under certain circumstances.

So it is not just a matter of weighing procompetitive effects with anticompetitive effects; it is whether the anticompetitive effects really benefit the banking industry in general.

Are we saying the same thing?

MR. McENERNEY: That is true, your Honor, yes. In other words, we are—

THE COURT: I am sure the answer to my question [1850] is in the transcript by now, and I will study it as time goes on, but let me just turn the question around to make sure:

Is the rule that the government must show a substantial lessening of competition, or is the rule that the government must show a substantially adverse competitive effect? In other words, are those two principles different?

MR. CLARK: Your Honor, the statute says that the government must show that the effect of the merger may be to substantially lessen competition. The government does not have to prove absolutely that there will be a substantial effect, because we are not talking about a prospective effect of this merger; and the Supreme Court has specifically held that the government does not have the burden of showing absolutely that fact A and fact B will occur in the future. Rather, the Court has said we take the objective standard, we look at the concentration, and we have set down standards from which we can infer this substantial effect.

THE COURT: Maybe I am being highly technical. But are you saying that the government's burden is [1851] to show a substantially less competitive effect, be it beneficial or adverse to the banking community? In

other words, is the government's burden merely to show that as a result of a merger there is substantially less competition in the market?

MR. CLARK: It is our burden to show that the effect may be substantial, yes, sir, your Honor.

THE COURT: May be substantially less?

MR. CLARK: Yes.

THE COURT: Is there an added factor that it must also show that that effect is adverse?

MR. CLARK: No, your Honor.

THE COURT: What if a Court should find—and my mind is completely open, but for the moment I want to explore all the avenues—that there is less competition in the market but it has a beneficial effect? Am I under the principle of convenience and needs at that point, or have I added a new dimension to the law?

MR. REYCRAFT: Your Honor, I would like to answer at a little length, if I may.

THE COURT: Yes.

MR. REYCRAFT: First of all, the statute [1852] does say "substantially lessen competition," and the courts have said that this means a reasonable probability of substantial lessening of competition, not a mere possibility.

So the government has the burden of proving that, and they have to put some kind of evidence in that competition has been significantly lessened.

One way of interpreting Mr. Clark's remarks is "We think it substantially lessens competition"; then maybe sometime in the future something might happen that would bring that about. That is not the law.

I think that under the first step that your Honor has described, before you get to convenience and needs, all of the competitive facts and effects should be taken into account. If the proposed merger has a procompetitive consequence in one area and maybe some anticompetitive consequence in another area, I think that the Court not only can but is required to take all of these into account and say "All right, on balance the government has not shown a reasonable probability that the courts require,

and I have taken into account both the pro and any adverse effects"—and I think that [1853] the Court does not even need to find that it is procompetitive.

I think that in coming to this conclusion the Court should look at objective evidence. Objective evidence includes the law as to what a bank can do as far as entering a market. If it is a closed town—there is nothing more objective than the fact that the State Legislature prohibits entry into a particular town or that a regulator will not or has not allowed entry in a particular town. Those are facts which we think should be taken into account in the first step; that is, whether there is an adverse effect on competition.

If the Court nevertheless finds that there is a—

THE COURT: You see, now you are doing something that I have taken perhaps more significantly than you intended, but you also do that in your article that you wrote; you at times use the words and phrases "substantially less competition" and "substantially adverse less competition."

I see a difference in those two things.

MR. REYCRAFT: That is not statutory language. [1854] I tell you, that started being used in, I guess, reports that were prepared by the Department of Justice and the regulatory agencies after the Bank Merger Act was passed in 1960.

There is no statutory language "substantially adverse." As a matter of fact, there are a number of different kinds of phrases that are used by both the Department of Justice and the regulatory agencies. At one time "substantially adverse" in the Department of Justice's report used to be the worst kind of report; more recently, as I understand the code, "significantly adverse" is the worst comment.

None of this has any statutory basis as far as the language is concerned; nevertheless, people use that, obviously, and "significantly adverse" and "substantially adverse" tend to be equated with the Clayton Act test, which I think is the way people have intended to interpret it.

THE COURT: Let me ask it this way; I am sure this

has all been answered, but I will ask you and Mr. Clark and Mr. McEnerney:

Is there any difference in your mind between the phrases "substantially less competition" and [1855] "substantially adverse less competition"? Mr. Clark, is there any difference between those two phrases legally or in the case law?

MR. CLARK: Yes.

Legally, the test is that the effect—

THE COURT: I meant to say statutorily.

MR. CLARK: There is no reference to "adverse" in the statute, and I do not think that it is found very often in case law, either. The statute says the effect in any life of commerce and in any section of the country.

So there is no weighing process found in the Clayton Act.

THE COURT: Okay.

Mr. Reycraft, what do you say?

MR. REYCRAFT: I have always understood the agencies which have used this language, which are Antitrust Division, the Comptroller's office, the FDIC and the Federal Reserve Board, when they say "substantially adverse," to mean the Clayton Act test. That is the way I have understood it.

THE COURT: My first question is: Do you see a difference? Is there a difference between the two phrases that I have used?

[1856] MR. REYCRAFT: I think we might agree, your Honor, as nonlawyers looking at the words, that they could easily be understood to have a different meaning. I think that they are not understood to have a different meaning by the agencies which use them.

THE COURT: Mr. McEnerney?

MR. McENERNEY: I do not see much difference between them, your Honor; I really do not. The words in the statute are "in any section of the country which may be to substantially lessen competition," and the word "substantially" is used but there is no "adverse," as has been pointed out. I do not see too much difference.

THE COURT: All right. Then I have made more

out of the word and maybe more out of Mr. Donovan's testimony, because I inferred, subject to complete reversal, that Mr. Donovan said "Yes, we look at that market and new entrants going into that market will have a procompetitive effect, or the failure of our agency to permit new entrants will lessen competition; but we think that is good."

MR. REYCRAFT: That is true.

THE COURT: So I thought he was applying a [1857] different test, that not only must there be lessened competition but there must be adverse lessened competition.

MR. REYCRAFT: Your Honor, I think there is a third thing that we have not mentioned, and that is that the Comptroller's office and the Federal Reserve Board and the Federal Deposit Insurance Corporation and the State Superintendent of Banking have duties in addition to the antitrust laws.

In other words, even if we were to agree that it might be good for competition, it might be bad for stockholders, it might be bad for depositors, if the Comptroller of the Currency were to give every national bank in the State of Connecticut every branch it wanted any place in the state.

Mr. Clark might say "Hooray, that is the greatest competitive thing I could ever think of." Well, the banks might all go broke and the depositors might all lose their money; maybe they wouldn't; but, you know, this is the reason that the Comptroller's office was opened in the first place, why Congress said there should be a Comptroller of the Currency. His duty is to examine banks; this is basically what they are, a bank examination [1858] agency. They examine banks to see whether they have good loans or bad loans. They tell them, when they classify certain loans as risky, "Get them off the books; you need more capital; you can do that and do that." Their basic role, as Congress gave them, is to keep banks sound and healthy primarily because they are dealing with depositors' money, they are dealing with other people's money, not just like their own, Montgomery Ward or Sears.

THE COURT: What principle would I be under if in the hypothetical situation—and I hasten to add it is completely hypothetical, because my mind is not made up—what if I find that this merger lessens competition but is beneficial to the banking industry in Connecticut?

A professor of law would say that Judge Zampano found a violation of the Clayton Act but—what?

MR. REYCRAFT: That it was clearly outweighed by the convenience and needs of the community.

MR. CLARK: I would agree with that.

THE COURT: So it is all under convenience and needs, and there is no third dimension that [1859] I have overlooked in the literature?

MR. REYCRAFT: No, sir.

But the first dimension—I think factually in making the first determination it is necessary to take into account the fact that Congress does not allow unbridled competition in banking; and when the Court reaches a conclusion as to whether one bank or another is or is not a likely entrant into another market so that some lessening of competition might be inferred, it is an objective fact that Congress has passed the National Banking Act, that it has placed the duty on the Comptroller of the Currency to limit entry.

When you are trying to figure out whether its entry is likely or not, you must consider that Congress said to the Comptroller of the Currency "You are not going to let unbridled entry occur in banking."

THE COURT: I have had that feeling, you see, and it is starting to formulate in my mind. Mr. Donovan says, "Sure, a lot of people want a de novo entry, but we're not allowing it." The Department of Justice is here saying de novo branch banking is a good thing for this state.

[1860] I assume, Mr. Clark, that if the Comptroller denies a de novo entrant, you have no power to go in and say that his ruling has an anticompetitive effect and therefore the Department of Justice takes the other side of the coin.

MR. CLARK: We have not done that.

THE COURT: I will ask Mr. Clark first.

MR. CLARK: We have never done that, and I am not saying we would.

I do not mean to argue the facts again, your Honor. I am leaving that aside. We think that the facts show that this whole regulatory issue simply is not existent. But, to the extent that it exists, I think you correctly characterize it as a matter of convenience and needs.

It is being introduced through the intervenor's witness. It is the intervenor and defendants' burden to show that the convenience and needs substantially outweigh the anticompetitive effects; so it is their burden, and I am confident that they cannot come close to meeting it.

MR. REYCRAFT: May I just say two brief things?

THE COURT: Yes. Take your time.

[1861] MR. REYCRAFT: The Department of Justice has absolutely no power in the branching area.

Secondly, the cases which the Supreme Court has decided in the bank merger antitrust area are all—all—at this point cases between direct competitors, where there is no issue as to whether the Comptroller would or would not issue a de novo branch to a new bank.

Philadelphia National Bank case involved banks with head offices literally across the street from each other, so whether or not the Comptroller would give new branches was not involved or is totally irrelevant. The Greeley case, which has just been argued in the Supreme Court, does involve question of potential competition—it is the first banking case which does—and in that case the question of what the regulator would do has been introduced as being relevant to whether or not the bank was a likely entrant into the market.

MR. McENERNEY: I would like to add one more thing.

THE COURT: Right; by all means. Take your time.

MR. McENERNEY: In the Supreme Court, Mr. [1862] Reycraft is right, of course, in that the only case that has gotten to the Supreme Court which has the potential competition question is this Greeley case, which was argued, I think, on October the 17th, and it has been submitted.

However, your Honor, we do have a series of cases at the District Court level which have each been faced with the potential competition issue, and I just wanted to point that out. There are six or five of those. So at the District Court there is ample precedent on the question, but not at the Supreme Court.

MR. REYCRAFT: And in each case the District Court has found that the government had not sustained its burden of showing a substantial lessening of competition.

THE COURT: Mr. Clark.

MR. CLARK: One more point on this law, your Honor.

In the Supreme Court, of course, my opponents are correct; there have been no potential competition bank cases litigated or decided upon by the Supreme Court. There have been or other potential competition cases before the Court, one of which did involve a [1863] regulatory issue, the El Paso Gas decision; and the Court specifically found that whether or not potential entrant there would receive regulatory approval did not alter its decision that there was a substantial lessening of competition.

MR. REYCRAFT: Judge, I tried that case for the government, if you will excuse me for saying so, and it involved very substantial direct competition between El Paso and Pacific Northwest Company, so it is not a potential competition case.

THE COURT: Gentlemen, thank you very much. I just hasten to assure the attorneys once again that my mind is just completely open on this thing. But I think Mr. Donovan may have been the first expert that has said, in effect, de novo branch banking may well tend to be procompetitive but the agency has other factors in mind that outweigh our permission to extend de novo branch banking in the State of Connecticut, one of which —at least I can infer from what he said—is to not have two things too competitive, to have banks newly chartered, banks just getting started—to give them some healthy growth before we start injecting competitors.

[1864] Maybe that has been in the testimony through-

out this trial indirectly, but this is the first time that I felt the full brunt of that type of testimony.

Thank you, and we can proceed with the arrangements that you have.

MR. REYCRAFT: Yes. Mr. Clark and Mr. McEnerney have agreed that we could call Thomas Richardson out of order.

Mr. Richardson.

[1865] THOMAS F. RICHARDSON, called as a witness, having been first duly sworn by the Clerk of the Court, was examined and testified as follows:

THE CLERK: Will you state your full name and address for the record, please.

THE WITNESS: Thomas F. Richardson, West Redding, Connecticut.

DIRECT EXAMINATION

BY MR. REYCRAFT:

Q Mr. Richardson, what is your present position?

A President and chief executive officer of the Union Trust Company in Stamford.

Q How long have you held that position?

A Since—well, as president since 1963.

Q Did the Union Trust Company change its name within the past several years?

A It changed its name, upon the merger with the Union & New Haven Trust Company and the Fairfield County Trust Company to the new name, Union Trust Company.

Q When did that merger take place?

A That was in October of '69.

Q What approximately was the area in which the Fairfield County Trust Company had its bank offices prior to the merger with Union & New Haven Trust Company?

[1866] A Primarily in Fairfield County, excluding the Bridgeport area, excluding Trumbull and the area north of that in Fairfield County. The rest of Fairfield County was pretty well represented.

Q Is there any particular reason why Fairfield County Trust Company did not have offices in Bridgeport?

A Under the existing state law, yes—couldn't open an office in Bridgeport.

Q Would you describe the offices which Union-New Haven Trust Company had prior to the merger?

A Well, their area of operation was primarily centered in the New Haven area, going as far north as Wallingford and as far to the east as Old Saybrook.

Q How many offices did it have prior to the merger?

A I believe it had eleven at that time.

Q The merger took place in 1969, is that correct, and the bank is now known as Union Trust Company?

A That's right.

Q Has the Union Trust Company had any merger since that time?

A Union Trust Company merger was just completed in September of this year with the Winthrop Bank in New London.

Q Preliminarily, Mr. Richardson, could you tell me whether the Union Trust Company is a state bank or a national [1867] bank?

A State bank.

Q Is it a member of the Federal Reserve System?

A No, it is a nonmember.

Q Could you explain what is involved in being a member or being a nonmember of the Federal Reserve System?

A Well, primarily, if you are a member of the Federal Reserve System, it is required that you keep your reserves on deposit with a Federal Reserve Bank. In our case it would be with the Federal Reserve Bank of Boston, inasmuch as our headquarters officially are in New Haven.

Being a state bank, the reserves that are set forth by the Banking Commission—we are allowed to keep those reserves in various correspondent banks in designated cities in the United States.

Q Is the Union Trust Company insured in any way, or are its deposits insured by the Federal Deposit Insurance Corporation?

A They are insured by the Federal Deposit Insurance Corporation.

Q To what extent?

A To the maximum of 20,000.

Q To what extent is the Union Trust Company subject to regulation by the Federal Deposit Insurance Corporation?

[1868] A Well, the Federal Deposit Insurance Corporation is the one federal agency that does regulate us. It examines us both in the commercial department and in the trust department at least once a year, and the Federal Deposit Insurance Corporation, of course, issues advisory opinions on any of our merger applications; they have to approve all of our branch applications.

Q If you have a merger application, you are required, then, under the Bank Merger Act, to submit that application to the Federal Deposit Insurance Corporation?

A That's correct.

Q As a state bank, if you were a member of the Federal Reserve System, you would be required, would you not, to submit that application to the Federal Reserve Board?

A That's correct.

Q If you were a national bank, you would be required to submit it to the Comptroller of the Currency?

A That's right.

Q In each case, the other agencies submit reports on the competitive factors; is that correct?

A The three other federal agencies will submit advisory opinions.

[1869] Q Mr. Richardson, can you tell me approximately what the total deposits are of the Union Trust Company as of a recent date?

A They're in excess of 500 million dollars.

Q And what amount of those deposits are savings deposits?

A Traditionally, in the last three years, we have run a bit—in the high 40% of the total deposit mix.

Q Are savings deposits. And what is your total loan portfolio at the present time?

A Our total loan portfolio is in excess of 400 million dollars.

Q And what percentage of that loan portfolio consists of mortgage loans?

A We currently are running about 44%. 43, 44%.

Q And what percentage of your loans consist of personal loans?

A I would say that figure is probably in the area of 25 to 30%.

Q To what extent does the Union Trust Company encounter competition from mutual savings banks for savings deposits?

A For savings deposits?

Q Yes, sir.

A Considerable competition from the mutual savings banks. Obviously, there appears to be a competitive advantage to the [1870] deposit—depositor depositing in a mutual savings bank inasmuch as he's allowed to pay a higher rate of interest.

Q Are you in a position that you can disregard the interest rates offered by mutual savings banks?

A No, on neither side, they're competitive in setting —establishing the rates for the mortgages in which we invest funds and, of course, they're very competitive in establishing the interest rates on savings deposits, so that they're competitors on both sides of the balance sheet.

Q And are you aware of the fact that for the personal loans part of your portfolio that mutual savings banks are also enabled to engage in that business?

A Yes, we're very much aware of that. In fact—aware of the fact that they would like to be even more substantial competitors in this area.

Q What do you have in mind about that?

A Well, I believe the savings bankers in the State are currently and have been consistently trying to raise the limits, say, to $10,000.00, or whatever figure they can get as a maximum in which they can loan to any one individual in the—or commercially.

Q Are you personally familiar with any activity by the savings banks to obtain checking account powers?

A This is a movement that's been going on in the bank [1871] fraternity in Connecticut for several years and it still continues to be very actively pursued.

Q Mr. Richardson, how close to the New York border is your nearest office to that border?

A I'm not sure of the nearest one. There are two that are very close; in New Canaan, for instance, there is a branch of the Banker's Trust Company, I would say, within five miles of our branch in New Canaan. In Greenwich there's a bank, branch of the First National City Bank, just over the river in Portchester, that probably is also within four or five miles.

Q Do you consider that you encounter any competition from the New York banks?

A We encounter severe competition from the New York banks.

Q Would you describe the nature of that competition?

A Well, it comes in both areas, both the area of commercial banking and the area of our trust department operations. As an example in the trust field, the most blatant example of it I can cite is letters that's written from New York banks to people in Fairfield County soliciting their trust business on a personalized basis, going even to the extreme of soliciting our own directors, so that although we have substantial correspondent relationships with some of these banks, that doesn't seem to dampen their enthusiasm for trying to [1872] solicit business, not only in the area, but right from within the family.

In the area of the commercial operation of the bank, commercial banking, this competition takes two forms. First, Fairfield County has got a very large commuting population and we have made various analyses that have shown that a very high percentage of these commuters are banking in New York City for their personal accounts. It's true that a percentage of them will have their wives establish a local account in a bank in Fairfield County, and they will feed that once a month or periodically so that the household expenses can be paid out of that, but the bulk of the personal largess, if you

will, is deposited in New York City banks by these New York commuters.

In the area of straight industry and commerce loans the New York correspondents have got—I would hazard a guess—one of the New York banks has got at least someone in Fairfield County each month of the year, and if you divide the number of New York banks by the month, you find out that the chances are that you can find a New York banker wandering around Fairfield County just about any week you want to pick. We have had examples of these bankers who we do business with —come out and call on us as a correspondent account and know for a fact that they left our bank and went over to one of our customers and tried to sell them a pension account. We know this because [1873] the customers called us up and asked us if we knew that bank was over there.

So that they're very aggressive in Fairfield County, and with the introduction of corporate headquarters in Fairfield County, they're becoming more active in having their new business and contact offices calling in the area.

THE COURT: Excuse me, I didn't quite understand what you meant by having a corporate office. Did you say—is that the expression you used?

THE WITNESS: Have corporate headquarters in Fairfield County?

THE COURT: Yes.

Q You said corporate officers.

A Well, they have their corporate officers that are assigned to the various corporations—some banks are organized by industries, and they'll have the fellow who's responsible for the chemical industry out calling on Olin-Mathieson, for example, or Hooker Chemical, or this type of thing.

THE COURT: And he's a direct employee of the New York bank?

THE COURT: Oh, yes.

Q Mr. Richardson, do you observe any impact on your banking area of advertising by New York City banks?

A Well, it is particularly difficult in Fairfield County.

[1874] New Haven is a little better because they have a television station up here. In Fairfield County, we don't have any popular television set—stations, so everyone listens to New York and, of course, all of the New York banks are very heavy advertisers on the New York channels. As I say, in New Haven it's a little better because there is a television station in New Haven.

Newspaperwise, I would say probably that the New York Times has the best circulation of any morning paper, anyhow, in New Haven and Fairfield Counties, I'm sure of it in Fairfield County. And, of course, they advertise very heavily there, and it is almost impossible for us to justify any substantial advertising in a paper like the New York Times. So that we suffer that way. Probably in other ways.

If you travel on the Penn Central Railroad, you will notice on the railroad stations they advertise there, presumably in an effort to get the commuter traffic.

We have a branch, for example, in the Stamford railroad station, and some time ago I was quite chagrined to find that there was an advertisement for the Chase Manhattan on the opposite wall of our branch, which brings it pretty close to home. So that the New York banks are very definitely substantial competitors to us.

Q Mr. Richardson, even for those of your customers who [1875] do not commute to New York or who don't have their accounts in New York, is it your opinion that this advertising has any impact on the rates that you are able to charge them?

A On the loan rates?

Q Yes, sir.

A Oh, yes. We can be loaned up—loan to deposit ratio of as much as 78 to 80%, which is, from the banking business, a pretty full loaned position, and if the rates in New York are lowered, why, obviously, it puts pressure on us to lower our rates. Although, on a supply and demand basis, there's no justification for it. Because we have a fully loaned position.

Q Have your customers informed you that lower rates are available elsewhere?

A Oh, yes.

Q And what do you do—how do you respond?

A There is a great sophistication in the customers, apparently through the medium of the Wall Street Journal, they are very quick to tell us what the New York banks are doing.

Q Mr. Richardson, following the merger of Fairfield County Trust Company and Union and New Haven Trust Company, did you find that you were able to increase the benefits, services available to the public?

A We were able—

MR. CLARK: Your Honor, I object, if we're going [1876] to try this merger over again, it's simply not relevant, as far as I can see, what the Union Trust Company might have been able to do after the merger I see has no bearing on this at all.

MR. REYCRAFT: Your Honor, this is objective evidence as to what has, in fact, occurred following a merger which produced a bank not very much different from the size of the one we're talking about. There are benefits which Mr. Richardson will testify have occurred that he would not have been able to achieve otherwise.

THE COURT: In one way I could see the relevancy which would later go to weight rather than admissibility. On the other hand, what if the government wants to come in and start putting on evidence of mergers that have gone sour?

MR. REYCRAFT: I think the procedure here is to cross examine Mr. Richardson.

THE COURT: Well, let's see what he has to say. Later on I can disregard it if it is irrelevant, or if I was in error in allowing it in. Go ahead, Mr. Richardson.

A Will you restate the question, please?

Q Yes, sir. Have you been able to increase any services [1877] following the merger with Union and New Haven Trust Company which you would not have been able to do but for the merger?

A Probably the most noticeable example has been—the easiest one to define—has been in the area of international banking. There is a clear-cut need in our opin-

ion in Fairfield and New Haven and other counties in Connecticut for international banking services.

Before the merger the Fairfield County didn't have an international department, and the Union-New Haven wasn't even thinking about it. Upon consummation of the merger we felt we were large enough so that we could establish an international department, which we did.

It started off with an officer, a clerk and a secretary two years ago. Now it has got about nine people in it that projected that this time next year it will have 13 or 14 people in it. We found that we were able to attract very competent talent in a very specialized area here through our larger size that we didn't feel that we could justify economically before the merger. After the merger, it was decided the Union-New Haven Trust Company had not had any charge card plan or any of their own revolving credit plan for consumer borrowing. Those services have been instituted in New Haven. And in the area we probably have about 17,000 people using those services that the Union-New Haven before [1878] the merger didn't feel that they could offer.

So that these are—there are two areas, but I think—although it is hard to define, the most important benefit I see through our merger is that we now find that we are able to attract to our bank to serve our customers very qualified people in the banking field. Where as before they were not interested in working for a small, medium-sized bank.

Q In the area of foreign banking, who do you encounter as your main competition in the State of Connecticut?

A In the State of Connecticut?

Q Yes, sir.

A I would say that the primary competition in that area is coming from Hartford, from the two Hartford banks.

Q And is there competition from out of state for that business?

A Yes. Traditionally, smaller banks, such as the Fairfield County Trust Company, in the past used to

direct its international business through one of its New York correspondents. This immediately gave the correspondent a contact with the corporation that you were doing business with, and, therefore, there was some jeopardy to the business relationship between the smaller bank and the New York correspondent.

Now this business can be handled direct. We have established relationships with banks virtually all over the [1879] world, so that we can deal direct with our correspondent banks now. We have these correspondent balances with them, they have them with us.

It is very questionable in my mind whether we could have established a network of this type anywheres near as effectively as if we had been a smaller bank.

Q Mr. Richardson, you testified that Union Trust Company recently acquired a bank in New London, I believe that was Winthrop?

A Winthrop Bank and Trust Company.

Q What was the size of Winthrop Bank and Trust Company when you acquired it?

A It was roughly a 13 million dollar bank.

Q And did it have its head office in New London?

A That's right.

Q And as you understood it, was head office protection applicable in New London at the time?

A At that time the Winthrop Bank and Trust was the only office with its head office in New London. There were branches of the two Hartford banks there, but this was the only one that had its head office, so that the town was what we call closed to de novo branching.

Q And the result of that acquisition has been to open the town?

[1880] A That's correct.

Q In your opinion, would Fairfield County Trust Company have been able to consider such an entry into New London?

A You mean, would we have gone to New London if we hadn't merged?

MR. CLARK: Your Honor, once again I object.

Q Yes, sir.

THE COURT: There's an objection. Mr. Clark?

MR. CLARK: This is the same ground, whatever this merger had to do with their acquisition of a bank in New London is, I think, simply irrelevant in this case.

THE COURT: We are perhaps getting a bit speculative. I will sustain the objection.

MR. REYCRAFT: All right.

I would like to mark for identification as Defendants' next exhibit, No. 82, the third quarter financial report of Union Trust Company of September 30, 1972.

Q Mr. Richardson, I show you Defendants' Exhibit No. 83 for Identification and ask you whether that is the third quarter financial report of the Union Trust Company?

A That is.

MR. REYCRAFT: I offer Defendants' Exhibit 83.

[1881] And I have no further questions.

THE COURT: Any objection? Any objection, Mr. Clark, to 82?

MR. CLARK: No, your Honor.

THE COURT: May I see that?

MR. McENERNEY: I don't have any questions of Mr. Richardson.

THE COURT: All right. Cross examination.

CROSS EXAMINATION

BY MR. CLARK:

Q Mr. Richardson, you testified that the New York banks which solicit corporate business in your area are —some of them organized along industry lines, is that correct?

A That's correct.

Q And then, is it true that the officers who solicit in each industry solicit businesses throughout the country in that industry?

A That's correct. This trend is now being reversed, however, as you are probably aware, that the breakdown of industry calling is not as popular as it was before. We do have geographic representatives who are responsible for New England, for certain parts of New England.

The Chase Bank, for instance, has a representative that's responsible for Connecticut. The other banks pretty much send one fellow out to cover a certain [1882] geographic area. Although, in the instance of a major company such as Olin-Mathieson, they may very well have a man who covers the chemical field. In fact, in the instance of Olin-Mathieson, they may very well have, and have had, the vice-chairman of the board, I think it was; in one case the First National City Bank came to call on me with three officers. I invited them to say for lunch, two of them allowed as to how they would like to stay, and the third one, who happened to be the chairman of their executive committee, excused himself to go to Olin-Mathieson to make a call.

Q Do you do business with Olin-Mathieson?

A Yes.

Q What are the total lines of credit that they have from all banks?

A This, I can't tell you.

Q It would be in the several of millions of dollars, wouldn't it?

A Oh, yes, well above that.

Q Above your lending limit?

A Olin-Mathieson's total lines?

Q Oh, yes.

A Sure.

Q Probably above the lending limit of all the Connecticut banks combined?

[1883] A Probably above the lending limit of any New York bank, I don't know this for a fact, but I would hazard a guess that the total line of Olin-Mathieson is above the New York banks.

Q So they'd have to, I assume, do business with other financial centers, such as Chicago?

A Olin-Mathieson?

Q Yes. And San Francisco?

A Wherever their operations are I'm sure that they're doing banking business.

Q Why do they do business where their operations are?

A Why do they do business where there operations are?

Q Yes.

A Presumably the resources are there and it is convenient and accessible.

Q Convenience is a factor even for these larger corporations, then?

A Well, I would—not being, and never having been with a larger corporation, I can't tell you, but I would assume that if they had an operation in St. Louis and they could get accommodated by the banks in St. Louis, they would do so rather than going to Los Angeles.

Q When a corporation moves into Fairfield County, what type of business does your bank try to obtain from them?

A Well, we try to obtain such business of any kind that [1884] we can from any customer. We primarily have considered ourselves a retail oriented bank. We like to help people get established. This generally takes the form of mortgage financing, and here again, of course, we're in bitter competition not only with the other banks, but with the savings banks.

Q You provide mortgage loans to the officers who are moving into this area, is that right?

A We provide them, not just to the officers, but to all their personnel. The officers are generally able to arrange their mortgage financing with or without our help, but the lower salaried people sometimes have difficulty.

Q Do the corporations, then, sort of consider this a favor which your bank will do for them, perhaps, in exchange for some of the other corporate business which they have?

A This is a service that they look to us for.

Q Is it sometimes done with the understanding that it may result in your obtaining other business from these corporations?

A Well, it is our expectation that if we accommodate an influx of people, whether they be connected with General Telephone or some company coming in, that at least when we talk to the financial officers of the corporation we can point to this and hope that they will appreciate

it and consider it when deciding what banks they are going to do business with.

[1885] Q Do you also hold payroll accounts, do you, for some of the corporate customers in your area?

A We do some payroll work.

Q Do corporations like to have payroll accounts at banks close to where their operations are?

A Some do and some don't.

Q How about the ones that you deal with? I mean can you speak from your experience?

A Well, the ones that are doing it with us, if we have their payroll account, I would assume that this means that their philosophy is that they like it. The ones that continue to, say, have a payroll account with a New York bank, presumably have reasons for not doing so.

Q What other types of business do you obtain from these corporate customers who move into your area?

A Well, we would hope to get both a depository relationship and we would also hope to develop a loaning relationship. There have been instances where we have offered lines of credit to these corporations, and although they haven't said that they wouldn't take them, they've indicated that they don't really need them, that their banks in New York are taking care of their credit needs.

Q Was your loan limit a factor in that decision?

A Probably it may well have been, that they might have [1886] been dealing in 300 million dollar credits, and, therefore, they could be accommodated by three banks, and that's all they wanted in the picture. This is not necessarily the case, though. We have participated with major corporations on 300 million dollar credits.

Q How do these participations work, would you tell us?

A How are they what?

Q How do they work? How do you get involved in a participation in a 300 million credit?

A Well, we discuss with the so-called lead bank, let us say, First National City Bank, Morgan Guaranty, the fact that there is a customer of ours, or a potential customers of ours, requesting a revolving credit, let us

say, of 300 million dollars, and we would like to participate in the loan to the extent that they find it expedient to allow us in.

Q You go to the—to their New York lead bank, is that the way it starts out?

A In many instances, that's the way it starts out. Very seldom do we go to the corporation and ask them to tell the lead bank to put us in, although this happens.

Q Do you have any instances where it works the other way around, where you go to a New York bank and ask them to participate in a loan which may be in excess of your lending limit?

[1887] A Yes. This has happened.

Q How often has it happened?

A I can't tell you how often it happened over how long a period of time and to what degree. As I say, these loans develop in a number of ways, and if a customer comes to us and asks for a hundred million dollar loan, we are going to participate in that loan with someone else, even if we maintain our position as setting it up, we—we can't handle it by ourselves.

Q Who are your major correspondents in New York?

A Just about every major bank in New York City.

Q Have you been successful generally when you go to them with a request to participate in a loan which you originate?

A This depends on the time that you go to them. If you go to them right now when they're rather interested in building up their loan portfolio, you have no problems at all. If you go to them in a period such as we went through several years ago, the so-called credit-crunch, you find that it is very difficult to get them to participate.

Q So in a period of tight money, then, you would prefer to have a higher lending limit so that you can make more of these loans yourself to these larger corporations?

A Well, it would expedite our ability to accommodate these types of borrowers, assuming that we had the money ourselves. [1888] In a tight money period, generally the whole banking system is tight, so that when

we need the relief, we go to the correspondents and they also are in the same position, and sometimes very reluctant to accommodate you.

Q To get back to the local mortgage situation, what is the law regarding the ability of New York banks to lend money on Connecticut real estate?

A Well, I can't tell you the law. I don't believe that, as far as Connecticut is concerned, that they cannot make the mortgage, but if they do so, they may find that they're unable to foreclose on it or act on it if it gets in difficulty because they're not licensed to do business in Connecticut.

Q Is it—oh.

A The normal practice is for a Connecticut institution to close the mortgage, and then later sell it to a New York institution, if it's a bank or a savings bank.

THE COURT: Is this an appropriate time for me to ask what the law is? Can New York banks do business in Connecticut?

MR. REYCRAFT: Your Honor, my understanding is that, as Mr. Richardson has described it, they can't lend direct, but that they do it indirectly through a local institution. In other words, they may call Mr. Richardson's bank and say, "We have a customer [1889] who wants a mortgage. You make the loan and then we'll but the mortgage from you." I believe that's the way it's done.

THE COURT: Because sending salesmen into Connecticut is doing business is Connecticut.

MR. REYCRAFT: This is real estate, and essentially it is correct that New York banks do not make direct mortgage loans in Connecticut, but they do supply funds through buying mortgages from Connecticut banks. But that limitation does not apply in any way to commercial and industrial loans or personal loans or accounts that are held in the offices of the New York banks.

THE COURT: Off the top of your heads, if there's no definitive answer, we know they can't open a branch bank in Connecticut?

MR. REYCRAFT: Yes, your Honor.

THE COURT: But can they open an office that says: Chase Manhattan Bank's Financial Advisory Office—

MR. REYCRAFT: Your Honor, the Federal Reserve Board—

THE COURT: —for Big Corporations?

MR. REYCRAFT: —the Federal Reserve Board permits banks to open what they call loan production [1890] offices, and these have been opened throughout the country by banks, and they are not, quote, "branches", unquote, so they can't accept deposits directly, but they do a lot of banking business out of those offices, and they could do that in Connecticut with the Federal Reserve Board's approval.

THE COURT: They can actually open an office, have corporate officers sitting there for advice if a client came in, or as a way station for salesmen and so forth? They could do that if they have approval?

MR. REYCRAFT: I may be in a little trouble here, your Honor, in getting into Connecticut banking law too much, but I do know the Federal Reserve Board does permit loan production offices.

What limitations the State might impose on the way it's presented or advertised, I'm not really sure. I think it would be a close look to see that they were not operating it as a branch, which means acceptance of deposits, primarily.

THE COURT: All right.

MR. REYCRAFT: But there's no restriction at all on bank—commercial banks headquartered in New York or anywhere else making loans anywhere [1891] throughout the United States or throughout the world, for that matter. But the real estate is a little different.

THE COURT: May I ask Mr. Richardson this question, it might be appropriate, first—two questions. One are there any such types of offices that Mr. Reycraft referred to in Connecticut, in your knowledge, and, two, do you have an opinion as to whether these salesmen are coming in on a regular basis as part of assigned territory, or do they come in sporadically and visit you and, in effect, say, "Well, while I'm here, I think I'll

call on Olin-Mathieson"? Could you answer both those questions?

THE WITNESS: The first question, your Honor, I don't know of any respresentative sales office of a New York bank in Connecticut, and although I have talked to people in New York about this when it first came up, the implication was that: why would they bother, they're 40 minutes or 30 minutes away from their own offices, so that it might have been more applicable in a place out in the midwest or something where they were remote from their headquarters.

On your second question, I think if the New York banks operate the way most banks do, I believe [1892] they do, they have a regular calling program where a specific officer has to make so many calls, and he generally does it on a regular quota basis set up by the calendar.

In other words, most of these New York banks do have their calling program broken down by districts. In New England we generally have the same officer covering at least half of the state, and these officers will leave the bank and they'll be gone for a week or ten days just out in the field calling on a regular basis.

THE COURT: Would you care to express any opinion on the Boston bank situation, or do you feel that they are not any competition?

THE WITNESS: Well, they are competition, but it is not as significant as it is from the New York banks.

THE COURT: Do you know if they send salesmen into Connecticut?

THE WITNESS: Yes, they have officers calling the same way the New York banks do. But we don't seem to run across them as frequently as the New York banks. Of course, there aren't as many, but I do know that three of the banks in Boston have representatives [1893] that call on our bank or in our area. But again, I don't believe it is as intense or as significant as the New York banks.

THE COURT: All right. Mr. Clark—incidentally, if you think we'll have Mr. Richardson on here for another five or ten minutes, if you think longer, I'll give the

court reporter a recess now. I wouldn't want to hold him up if it's just a matter of five or ten minutes.

MR. CLARK: It's hard to say, your Honor, I don't have a whole lot.

THE COURT: Why don't we go to 12:00.

MR. CLARK: Perhaps the thing to do. We have reached a stipulation with the defendants on the extent of corporate calls in this State by these six banks that were subpoenaed, and there is also some general information which was stipulated to as to the nature of these calls and so forth, if you like—

THE COURT: Well, why don't we hold that off, if you like, and do it as a separate item later.

BY MR. CLARK:

Q Does Union Trust have its own corporate officers soliciting corporate business in your market areas?

[1894] A Yes.

Q How many people do you have soliciting?

A We have virtually every officer in the commercial department assigned to the call program.

Q And how many officers is that?

A Well, I'd say there are over a hundred.

Q And how much of their time do they spend actually soliciting customers or potential customers?

A Hopefully, they would be spending at least several hours a week. This is—this is the objective. But in a smaller bank, it is very difficult to accomplish this. Number one, it is very hard to get the officer away from his desk to go out and make the call because of the pressures of business. Whereas, these larger banks, they just leave the bank and they're gone. They have nothing else to do but make the calls.

Q Your goal, you say, is several hours a week, perhaps one man day a week?

A If I can have all of our commercial officers devoting three hours to four hours a week, I'd consider it was a plus, not ideal, but a plus.

Q Fairfield County has experienced growth in corporate business, from business in New York?

A Yes, I think that in the last several years there's been a fair amount of impetus to the economy from the [1895] corporate headquarters movement, as we call it, but I think it is important to bear in mind that Fairfield County has always been a rapidly growing part of New England long before the advent of the corporate headquarters move.

Q So the growth has been rather sustained for some period of time, is that right?

A We have had excellent economic productivity in the State—in the county for quite some time.

Q Where would you expect this corporation movement to next be manifested in this State?

A Well, I believe as one area gets more congested, in other words, the Greenwich-Stamford area, that the next movement might well be into the Fairfield-Bridgeport area till that got filled up, and then into the areas of West Haven and Orange and New Haven itself.

Q You testified regarding the international department which your bank established; did you say you began operations with one officer and two clerical personnel?

A One was a clerk and one was a secretary.

Q Did this officer spend all of this time in this—

A Hundred percent when he started.

Q Where did he come from? Did you have to hire him outside of the bank?

A Well, we took him from within the bank, he had had [1896] some international experience with a bank in New York City prior to his coming with us. He had left that bank and gone with an industrial company, and came back to us—came to us to get back in the banking business.

At that time we didn't feel that we could justify an international department, and we had him as a general platform officer in the commercial department.

Q But you established the department and moved him into the department after your merger with Union and New Haven Trust Company?

A That's right. That's right.

Q When did you decide to add the additional personnel which you have added?

A When we started to do—to develop the business that apparently was in the area all along that we weren't even aware of or what we didn't feel we could accommodate. Once you open for business and offer the services to your customer—I think it is important to keep in mind here that this business is not primarily to the international and large national corporations, there is a tremendous amount of international business done by the medium-sized corporate customer, commercial customer in this part of Connecticut, and these people when we had seminars and told them how they could improve their sales by exporting became quite interested in the international area, and the [1897] actual development of the international department exceeded our expectations and in some ways, unfortunately, exceeded the capabilities of the younger officer that we put in charge of this department, and so that we were forced to buttress the department by hiring an international banker from outside of the bank.

Q Where did he come from?

A Came from New York City.

Q And you hired him away from a bank in New York?

A He was with Edgeact Corporation in New York, which is an international bank.

Q How many other officers have you hired, then, for this department?

A We have hired three.

Q And where do they come from?

A One came from a New York bank, one came from —I can't tell you what city it was, but he was an international banker outside of our operation. And the third one we didn't actually hire, we promoted from within after working in the department for a few years.

Q You hired three people from outside and moved two people from other areas in your bank, is that right?

A That's right.

Q Officer personnel? Everyone else is clerical?

[1898] A That's right.

Q Are these officers, in your opinion, earning their keep, so to speak, with your bank?

A They certainly are.

Q And is the department profitable at your bank?

A That would depend on your interpretation of profitability and how you accounted for the department. I would say that at the moment the way I'm accounting for the department the department is not profitable.

Q But you consider it to be a valuable adjunct to your bank in terms of—

A I consider it to be providing a very valuable service to our customers and to the economy in the area.

Q And you hope—do you hope that the business which you gain through this department will lead to other businesses—business relationships with the customers?

A That's the expectation.

Q Pardon me?

A That's the expectation, yes.

Q Your bank has recently opened a branch in Trumbull, is that correct?

A That's correct.

Q Why did you put a branch into Trumbull?

A Well, we—as I mentioned earlier, we're precluded [1899] from putting a branch in Bridgeport. We had a situation where we had a major office in New Haven and one in Stamford, we felt that we should have contiguous territory. We didn't feel when we were the Fairfield County Trust Company that we would—could economically justify a branch in Trumbull because of the remoteness of it from Stamford. When we had the Union-New Haven merger and had a branch in—or a major office in New Haven, which is more accessible to Trumbull than the Stamford office, we felt that we could justify opening an office in Trumbull.

Q Is that office doing well?

A Very well.

Q Doing, in fact, better than you expected that it would—

A It is.

Q —at this time? Did you lease the property or purchase it?

A It's leased.

Q Do you solicit corporate business in the Bridgeport area from that office?

A No.

Q What is the service area of that office?

A Well, the office is organized with a regional manager who covers Trumbull, Ansonia and Milford.

Q Do you expect to open more offices in this area [1900] between New Haven and your present Fairfield County—

A Right now—

Q —area?

A —it's problematical whether we can open any, because if you take a town like Orange, it is closed to us because there's a head office of another bank there.

Q You are opening an office, aren't you, in Milford, is it?

A That's right.

Q Are you leasing or purchasing that office?

A We lease practically every office that we can.

Q Why do you do that?

A Because it takes the asset off the balance sheet and lowers the capital requirement.

MR. CLARK: I have no further questions, your Honor.

THE COURT: Redirect?

MR. REYCRAFT: No, your Honor.

THE COURT: Mr. Richardson, I would like to ask you a question, but I would like to make two statements before I ask the question.

One, you don't have to answer if you don't care to, and I understand why, it is not required just because the Court is asking you, you must answer.

[1901] And secondly, I am not asking you whether you feel this merger should go through or not. Okay? Right.

Now, my questions: I suppose over the years that you have kept your eye on the banking business here in Connecticut?

THE WITNESS: Right.

THE COURT: Not only as an officer of your particular bank, but because you are a banker, is that so?

THE WITNESS: Yes, sir.

THE COURT: And you are familiar with the two banks here in—involved before me?

THE WITNESS: Oh, yes.

THE COURT: Now my questions: If this merger is disapproved, or if this merger is approved, what opinions do you have as to how it will affect the banking business in Connecticut in general, and how do you think it will affect your particular bank?

THE WITNESS: To answer your question about the banking business in general, your Honor, if the merger is disapproved, it is my opinion that this would further strengthen the rather dominant position that the two Hartford banks have had in the banking industry in Connecticut for many, many years.

[1902] If it is approved, it would seem to me that it would put the merged bank in a much better position to compete with the two major banks located in Hartford.

As far as it would apply to the Union Trust Company, I believe that if it were approved, that we would see increased competition from the merged bank than that which we have at the moment. In other words, I believe it would strengthen the competition, as far as we were concerned.

THE COURT: All this is in the record, Mr. Richardson, somewhere, but would you say offhand that you are in overlapping territories with respect to CNB individually and First New Haven individually?

THE WITNESS: Yes.

THE COURT: You overlap?

THE WITNESS: Yes.

THE COURT: Would you say quite a bit?

THE WITNESS: If you take the two banks individually, in the Fairfield County area we have a great overlap with CNB; and in New Haven they overlap with the Union-New Haven's old territory and the First New Haven National. So that we are competitive in both areas.

THE COURT: Very well. Thank you very much, Mr. Richardson.

[1903] THE WITNESS: Thank you.

THE COURT: You are excused.

I will give the court reporter his rest at this point.

(Recess taken.)

[1904] THE COURT: Are the parties ready to proceed ?

MR. McENERNEY: Yes, your Honor.

Mr. Donovan.

JOHN L. DONOVAN, having been previously duly sworn, was recalled and testified further as follows:

DIRECT EXAMINATION (CON'T)

BY MR. McENERNEY:

Q Mr. Donovan, yesterday at the break we were discussing your study in the twelve towns in New Haven County where neither Connecticut National Bank nor First New Haven had any branch offices, and you had gone through these towns, as I recall.

At the break, we had not asked you what your conclusion was with respect to the likelihood that you would recommend either or both of these two banks to enter any of these twelve towns, assuming that they would be willing to apply. Could you tell us what your conclussions might be there?

A The conclusions that I drew from looking at the towns is that there were two towns that have no office of a financial institution in them—those were Beacon Falls and Bethany, both with populations under 4,000—and it is [1905] my opinion that it's possible that an entrant could—an office could be opened there by a commercial bank.

If you assume that you would have to have two offices to have competition there, then it's further my opinion that they could not actually compete in their—or I mean they could compete, but they would not be profitable offices for the banks involved.

Q Would you recommend that these two banks here be

allowed to go into a town such a Bethany or Beacon Falls?

A It would be—

MR. CLARK: Your Honor, I object to a question of that kind, because it assums so many uncertainties, including time, applicant, place of branch and so on, that I simply do not think he is qualified to answer the question.

THE COURT: Yes, you raise a good point, Mr. Clark. On the one hand you are saying it is conjecture, a lot depends on factors, the economy, the way the application is presented, and it even depends on whether Mr. Donovan is in his present position in the near future or far future—what the Comptroller may think in Washington, so forth and so on.

[1906] On the other hand, however, you are saying to the Court, in effect, let these two banks do things de novo; and I suppose the Comptroller's representative coming in and saying "I'm not going to let them do these things de novo" is relevant in that sense.

So I have to kind of weigh it, I think, at some later date.

MR. McENERNEY: That is right.

MR. CLARK: Your Honor, the way in which he is testifying now as to some towns which have certain population and with nothing more—I do not see how he can say at all what he would do as to some future application. He simply does not have—there is no foundation, and neither does he have sufficient information before him now to give any opinion.

THE COURT: Wouldn't that go to weight rather than admissibility? He is the Comptroller's representative in this area. He has an opinion. Maybe after you finish with him on cross-examination his opinion won't be worth the paper that the reporter is typing on; on the other hand, it may be worth a great deal.

But you have said to the Court, in effect, [1907] let them use de novo branching in certain towns, and in the intervenor's brief he has stated that the Comptroller is unwilling to encourage this—and, frankly, when I read that, I was curious about it. Whether it is going to be

more than curiosity and will eventually weigh in the opinion, that is something else.

But I am going to take the evidence and later on I will decide what weight to give it, after I hear the cross-examination.

BY MR. McENERNEY:

Q I was asking you about taking two of the twelve towns that you have already discussed; I think I mentioned Bethany and Beacon Falls.

Would you tell me what your recommendation would be as to whether you would recommend both of these banks, CNB and First New Haven, to enter those towns?

A All other things being equal, I think the—I would be most reluctant to recommend the simultaneous entry of more than one applicant on those two towns.

There are five remaining towns in New Haven County that are open. These are Cheshire, Madison, Middlebury, Naugatuck and Oxford. They all have from at least one banking office up to three banking offices and one or two [1908] savings banks in them.

In the Town of Oxford, it has a population in excess of 13,500. I think that that's a town that could possible absorb one additional—well, it could easily absorb one additional entrant. It would be marginal for two additional entrants if, again, you used population per banking office as the sole measure of whether there should be entry or there should not be entry.

In the other four towns an addition of just one additional entrant lowers the population per banking office figure below the state average, so that two or more—more than one entrant would substantially lower it; and I think if you—again using just the population per banking office, there would—it would indicate that it would be difficult for the entrants to become viable and to become profitable within a reasonable period of time.

Q With respect to Connecticut National Bank, Connecticut National Bank has most of its branches in Fairfield County, does it not?

A That is correct, yes.

Q Have you made an analysis of what the prospects

are for First New Haven to branch into these seventeen towns in Fairfield County where Connecticut National Bank has offices?

A I have.

[1909] In the seventeen towns that Connecticut National is presently located in, six of them—Bridgeport, Danbury, Norwalk, Stamford, Stratford and Westport—are closed, and so it would be illegal for any entrant to branch into there; that is, from outside.

The remaining eleven towns where CNB has representation in—they are Bethel, Brookfield, Darien, Fairfield, Monroe, New Canaan, New Fairfield, Newton, Ridgefield, Shelton and Trumbull—there are—the addition of a branch by the First New Haven National Bank would reduce the population per banking office again to below the state average, and I think it would be difficult for the new entrant to be a viable and profitable branch within a reasonable period of time.

Q How about—

A The—go ahead.

Q I was going to ask about the Town of Trumbull.

A Well, Trumbull is—I think Trumbull is the one town in the—Trumbull was the one town in which Connecticut National's located that the population would—per banking office—would come down to just about the average and there would appear to be the need for an additional banking office. There—however, there is a new branch entrant there which just opened, to my knowledge, and I think that [1910] some consideration would be given to that, the establishment of that branch.

Q Did you consider the likelihood of regulatory approval in the remaining towns in Fairfield County where neither Connecticut National nor First New Haven had branch offices?

A Yes, I did.

The remaining six towns in Fairfield County are Easton, Greenwich, Reading, Sherman, Wilton and Weston. Greenwich is closed.

Easton has a population of approximately 4,900 and Sherman has a population of approximately 1,500. In these two towns there are no offices of financial institu-

tions. My comments there are the same for these non-bank towns. I think they could probably absorb one entrant. I think in a town the size of Sherman it would be difficult.

Q Difficult what?

A To become profitable in a reasonable period, for the branch to become profitable.

You would have a better opportunity in Easton, but I looked at not only the two consolidating banks here but the fact that there are a substantial number of other banks in Connecticut that have not chosen to enter these two towns, either, and I kind of give some weight to that opinion.

[1911] Q Let me ask you at that point: In your analysis you were only concerned with the likelihood of Connecticut National entering or First New Haven entering, but wouldn't it also be true or would it be true that a factor that you did not take into consideration was that you have approximately fifty to sixty other banks in the state?

A Well, I did take it into consideration in the sense that the Comptroller's office does not control the applications that are generated from the banks. I admit I was looking specifically at the likelihood of these two banks making applications and what the effect of their application, if approved, would have on the banking structure in the towns and, very narrowly, what it would do to the population per banking office figures.

But you are correct in stating that—that there are other potential entrants for these towns also that are not present represented there.

Q If one of these banks were to apply for any of the towns that you have been speaking about, this could change your recommendation, could it not? In other words, in the town of—

A I tried to stay somewhat neutral by talking about it—"an entrant." I think, yes, if any other bank made the initial entry in one of these towns, then obviously to [1912] add two more to that one would further dilute the figures.

Q With respect to the Town of Wilton, could you tell us what your conclusion is there?

A In Wilton presently there are offices—there are four commercial branch offices and one savings bank office. The population per banking office figure in Wilton now, which is an open town, is substantially below the —the state average right now, and additional entrants would continue to dilute the figure.

The other open towns are Redding and Weston, each of which have one commercial bank office there. Again, I believe that—I believe in Weston you could possibly justify an additional entrant, but in both cases, where the populations are below 8,000, you would substantially dilute the population per banking office figures, and, if you added two to the existing office in each town, it would be down into the—well below 3,000 per banking office figure; and the state average is around 5,630, I believe.

Q Does Connecticut National Bank have any offices in Litchfield County?

A The Connecticut National has an office in New Milford presently. This has a population of about 14,600, and there are presently offices of—there are six commercial bank offices there and one savings bank office there. It is [1913] an open town. And if you added the one additional competitor, which would be represented by First New Haven there, it would reduce the population per banking office down to around the 7,000 figure—I'm sorry—around the 2,000 figure. It's presently around 2400.

Q Did you study the balance of the town in Litchfield County where neither Connecticut National or First New Haven have offices?

A Yes, I did. There are 25 other towns in Litchfield County.

Seven are no-bank or nonbank towns, and these are Barkhamstead, Bethlehem, Colbrook, Goshen, Morris, Roxbury and Warren. The populations are all under 2100, and most of them are down around 1200 and 1300 people. This is one of the difficult things as a regulator. I feel that there's probably some need for banking serv-

ices in those communities, but, again, I think if you would—you may allow one entrant in some of those communities, I think the population indicates that it would be a protracted period of time before it became a viable office. And—but you could hardly recommend that you allow two entrants in each of those.

Litchfield County has five closed towns. These are Canaan, Litchfield, North Canaan, Plymouth and Salisbury, and I consider those no further, since branching would be [1914] illegal for either of the banks here that we're talking about.

The remaining thirteen towns in Litchfield County are open towns, and these are Torrington, Bridgewater, Cornwall, Harwinton, Kent, New Hartford, Norfolk, Sharon, Thomaston, Washington, Winchester, Woodbury and Waterton. They all have some existing banking offices there. Some of the smaller towns, with populations around 1200 to 1500, have just one commercial bank office. Those that generally have between two and four thousand have both a commercial bank and a savings bank office in the town.

But my over-all opinion of this group of thirteen towns is that they appear adequately banked at the present, if you consider just the population per banking office, and the addition of two new entrants would substantially dilute the market for business there.

Q Can you tell us how far from Bridgeport Connecticut National Bank has branched?

A Approximately 32 miles, I believe, from Bridgeport to the farthest branch of Connecticut National.

Q Can you tell us how far in mileage First New Haven has branched?

A The farthest branch—

Q From its main office.

[1915] A —branch from its main office that New Haven has established is approximately 17 miles.

Q What, if anything, does this indicate to you, Mr. Donovan?

A Well, the—the primary indication is that each bank has remained a locally oriented bank; that is, that they have pretty much confined their operations to the head

office city and the immediate environs around it and that they have made very little attempt to became region-wide banks or even statewide banks up until now.

Q Would you expect these banks to apply for branches in the far-off corners of the state?

A I would not expect that, primarily because they have not done it up till now. I think if you look at—from New Haven, for instance, to the extreme northern corner of the state, it's probably 70 miles or more; it's probably 65 to 70 miles to the extreme northwestern corner of Litchfield County. The eastern border of the state, it's probably close to 45 or 50 miles from New Haven over to Pawtuckett—or Stonington, over in that area in there, over in New London County; and down to Greenwich from New Haven it's about 55 miles.

For Bridgeport, for the Connecticut National in Bridgeport, the mileage distances to the northwest, the [1916] northeast and the southeast would be considerably longer; obviously, since they're down in Fairfield County, they'd be closer to the southwestern corner.

But up until now neither one of these banks has seen fit to break out of this—their specific market areas, and so I think it's unlikely to expect them to do it on their own in the foreseeable future.

Q Mr. Donovan, have you made any conclusions as to the likelihood of the open towns in the state that you have studied, the possibility or the likelihood that they might be branched into by these banks?

A Well, I think that's—on the open towns in the state, other than those specifically within the counties—in the three counties that we discussed in detail, I think the argument that they're fairly remote from their existing operations kind of lends—that it would be unlikely.

Again going back to the factors that we consider for a—either a merger application or a branch application or, in fact, for a de novo charter, the condition of the bank, their managements, their earnings, capital adequacy, convenience and needs and the legality, in this case if you—if you took a hypothetical and said that the First New Haven was going to go to Windham County,

they would have to demonstrate to the regulator that they could service that [1917] branch out of the head office instead of just running three miles down the road from the branch that's 17 miles from New Haven right now.

I mean here you built in the fact that this man is going to be up here, someone on his own, so they've got to put a pretty high-priced talent up there, or at least someone that can make his decisions without being on the phone to New Haven all the time. They've got the problem of processing items, just the business that the bank takes in, which their existing structure cannot be adapted to. You have the problem of doing business in an area that they are not well known, and they would have to establish their reputations.

And I think in an application such as that it would—there would be a greater burden of proof on the applicant to our office to show that they could do all these things; and, in going back to the weighing of the various factors, these would take on a greater degree of significance.

Q I think you mentioned the term a few minutes ago "foreseeable future"; you did not see some entry into some of these towns in the foreseeable future.

What, in your opinion, would you believe to be the foreseeable future?

[1918] A Well, I—I basically feel that a term like "foreseeable future"—five years, although in some areas I'd be willing to go a little bit longer, five to eight years, somewhere in there.

This is based partly on my experience with the office projection requirements. We require branches to—the applicant for a branch to project business to be conducted and profit and loss figures for three years. We require charter entrants to give us a five-year projection, after one, after three and after five years.

Q During the period of time that you have been Regional Comptroller, could you tell us how many recommendations you have made on new branches?

A We have processed approximately 160 branch applications while I've been Regional Administrator, so I

have made approximately 160 recommendations to the Comptroller.

Q Can you tell me how many of those the Comptroller has disagreed with you on?

A He has gone contrary to my recommendation, I think, three times.

Q During the period you have been Regional Comptroller, how many de novo new bank charters have you recommended?

A Two specifically.

[1919] That is a little misleading, because one of the two they gave the organizers an opportunity to substantiate— or to supplement the application after we had completed our initial investigation.

Q How many of those did you—

A So you could almost count it as three.

Q How many of those did the Comptroller disagree with you on?

A If you take my original decision, he disagreed with one of the two. But I think, since he let them resubmit and we had a chance to look at the additional information, he kind of went along on all three of them.

Q Mr. Donovan, is it possible for a bank to form a holding company in Connecticut and enter a closed town by a de novo new bank charter?

A It's possible to form a holding company. This is—jurisdiction of holdings companies as been given to the Federal Reserve Board—but holding companies are permitted by Connecticut statute. It is possible that they could make application for a new charter, also. It has not been done yet in Connecticut.

Q Can you tell us, Mr. Donovan, generally whether it is more or less expensive for a bank to enter a town by de novo branch or by de novo charter?

[1920] A In my opinion branching is less expensive. The charter application immediately involves duplications that you would not have in the branching situation.

THE COURT: When you expressed an opinion on whether or not you would, at least as you see it now, based on population, give initial approval, subject to the

Comptroller's final approval or disapproval, to de novo branching of an established bank, would your same opinion pertain to those seeking a new charter under a holding company avenue, or do you have some reason or reasons to say "I would not allow a de novo branch of an established bank but I would allow a newly chartered bank to go into a certain town"?

THE WITNESS: I think on the record, your Honor, that a regulator would be more willing to let a branch go into a—for lack of a better term—a marginal town as far as population per banking office goes, because the risk of loss to the bank is less—lesser than if a charter application was unsuccessful—and the loss would be to the holding company there, obviously.

THE COURT: Thank you.

[1921] BY MR. McENERNEY:

Q If a new national bank was chartered, Mr. Donovan, and the Comptroller discovered shortly thereafter that the new organizers were trying to sell it and he was unaware of this, would you tell me whether he has any remedies available to him?

A Yes, he does.

In the application form, itself, there are certain representations made to the Comptroller that the organizers swear to, and one of these is that there are—that they have not entered into any undisclosed—well, actually, it comes in in two ways, but they have not entered into any undisclosed arrangements to dump the bank to someone else; and among the warnings in the instructions and in the advice to the—to the organizers is the caveat that the Comptroller—if misrepresentations are made to the Comptroller, the Comptroller has the right to take what actions he feels are necessary, up to and including revocation of the charter.

The Comptroller is most reluctant to invoke the revocation of the charter, because that's—we consider that very serious, and that's the ultimate penalty in the statute for any banking problem.

Q But that penalty is available, is it not?

[1922] A But that is available, and they are advised in the representations to that effect.

Q Is the penalty of possible false statements under the the usual 18 USC, Section 1001, also mentioned or available?

A There is a warning that false statements to the Comptroller come under 18 USC, 1,001. Yes, that's on the form also.

Q Mr. Donovan, do you consider mutual savings banks competitive with commercial banks?

A Yes, I do, and I personally feel that it's unrealistic not to consider them as competitors.

In the request for information that we have applicants for de novo branches file with us and also for charter applications, we require that they list the competing mutual savings banks in the trade area in which they desire to locate. We not only request that they list them but they also put them on a map for us. And we do this because we feel that their examiner, in the investigating report itself—there is a question that the examiner is required to answer, that—to the—his opinion of the degree of competition from thrift-type instutions, such as mutual savings banks, S&L's, insurance companies and small loan companies.

Q In what areas do you feel mutual savings banks [1923] compete with commercial banks?

A Well, I think it's primarily in the—where they feel it the most is in the retail or the consumer type services that they both offer that are duplicated. They're available in both the commercial bank and the savings bank.

Q You mean savings accounts, for example?

A Well, yes. I was getting to that.

I think that—to go back to something that was said yesterday of this, the government's interest in the banking business I think is—both the commercial and the thrift type—is demonstrated by regulation Q, which prohibits the payment of interest on demand deposits but also limits the interest rate that commercial banks can pay on savings accounts to 4½ percent.

The corresponding FDIC regulation for mutual savings banks also puts a cap on what they can pay, but they can pay 5 percent for what is basically the same account. So obviously there is a competitive edge for the savings bank in that area.

The other areas are personal-type loans for automobiles, education, boats, cars. Even though the mutual bank is paying a higher cost for their raw material or their lendable dollars in that area, they are able to turn a profit and remain competitive on the rates they charge [1924] by the fact that they do not have some of the expenses that the commercial banking industry has—namely, the income tax payment—and so this is how they'd be competitive on the rate side and be more competitive on the savings side.

Q Mr. Donovan, are you aware of the share of commercial bank deposits held in Hartford by the Connecticut Bank & Trust and the Hartford National Banks?

A I'm aware that it is around 86 percent.

Q How would you consider an entry by any bank into Hartford?

A At first blush you would have to consider that it was procompetitive, but if—if you just add the numbers—but I think if you add a bank of limited financial capacity to effectively compete, then only—that it really wouldn't change the competitive balance that much. You would have to go in there with a pretty—with an institution with sizable backing to be able to effectively compete with that.

[1925] Q Would you recommend that the moratorium on de novo bank chartering which has closed Hartford to de novo national bank charter since 1965 be lifted as it was recently in Stamford if the entrant were of the type that you generally described?

A Well—

THE COURT: Excuse me. He described two types. He described a bank of limited capabilities and a bank with some muscle.

MR. McENERNEY: That's right.

THE COURT: Which size are we talking about?

MR. McENERNEY: Let's talk about the small one first. The little fellow.

A Before I answer the question directly, I—at the time of the Stamford application, I did call the Comptroller and asked the Deputy Comptroller in charge of branches, Mr. DeShazo, if this policy was still in effect. I was told that it had not been revoked.

MR. CLARK: Your Honor, I object to this hearsay. Let's get the Deputy on the stand rather than hear some testimony on a telephone conversation?

THE COURT: Why don't you—

A The—

THE COURT: —answer the question that's been [1926] posed to you? The question is: if a bank of limited size, what is known as a small bank, sought your approval to enter the Hartford area, what would your reaction be? That's the question, I think, that's pending.

MR. McENERNEY: Yes, your Honor.

A My general reaction would be: no.

Q Now, could you tell us the answer to the question if—the other part of the question—if the bank was a more formidable sized bank?

A I think a more formidable entrant would have a better chance at success. This is going only to the financial capacity in both questions and ignoring things like management and capitalization of the bank going in, and the very serious other factors that we consider before we act on a charter application.

MR. McENERNEY: Your Honor, that's all the questions I have of this witness.

I would like to move into evidence the two exhibits that we have, Intervenor's 1 and 2, if I may, Exhibit 1 is the Comptroller's opinion and the press release is Exhibit 2.

THE COURT: All right. Any objection?

MR. CLARK: No objection, your Honor.

[1927] THE COURT: There being no objection, both exhibits may be marked as full exhibits.

I suppose it would be more convenient to—do you have any questions, Mr. Reycraft?

MR. REYCRAFT: I would like to ask a few, your

Honor, but would it be convenient after lunch if I were to start?

THE COURT: Fine with me. We will recess until 2:15.

(Recess taken for lunch.)

[1928] AFTERNOON SESSION

THE COURT: Are the parties ready to proceed?

MR. REYCRAFT: Yes, your Honor. May I inquire?

JOHN L. DONOVAN, having been previously duly sworn, resumed and testified further as follows:

CROSS EXAMINATION

BY MR. REYCRAFT:

Q Mr. Donovan, on direct examination you were asked questions concerning the investigation conducted by the Comptroller's office of the proposed consolidation. First, can you tell me for how many years the—or since what—since what year the Comptroller's office has been conducting examinations of the First New Haven National Bank?

A Well, the examination feature was written into the first National Bank Act of 1863, and both—the First New Haven has the oldest charter in the country, they came in right at the start, so we have been examining that for—since 1963.

The Connecticut National became a national bank in 1865, so we have been examining that bank since 1865.

Q During 1971, can you tell me approximately how many man days of examiners in your office were devoted to conducting examinations of the First New Haven National Bank?

A Well, I can't tell you exactly, but for a bank that [1929] size we run between 250 and 280 man days.

Q During 1971?

A Well, if we did it twice in '71, that figure would be doubled, but I think we only did it once in '71.

Q So the number of days you are giving me is for one examination?

A One examination, yes, sir.

Q Now, approximately how many man days were devoted to examination of Connecticut National Bank during 1971?

A Well, each examination of a bank the size of Connecticut National with its branch setup takes between 420 and 450 man days, and in 1971 we did CNB once.

Q Can you tell me in general what the general kinds of things were on which examination was conducted of Connecticut National Bank during 1971?

A Well, the procedures are the same for any bank. The examiners go in and the first thing they do is an attempt to verify the assets, that is: they count the cash, they count securities in the vault, they verify through tracing the securities in the bank's investment portfolio.

We list the loans outstanding, the examiners review capital expeditures such as expenditures for banking house and furniture and fixtures. They verify the other assets, which would be things like receivables, letters of credit and acceptances, and [1930] items such as that.

On the liability side they prove the deposits generally by obtaining a computer run, or in the smaller banks they physically list them, they verify the liabilities, any borrowed money with the lender, and we review the capital accounts.

Also extends over into samples and test checks of the income and expense accounts, and then they get down and make a physical evaluation of the credit quality of selected assets. In this fashion they review the credit quality of the obligor on the investment portfolio, what is a particular bond's rating and payment history, how much the bank paid for it, and what is its current market value?

In the loan portfolio we review loans all over a given size of dollar amount. This is based upon the bank's capital structure; and the bank's over 25 million dollars, we look at one half of one percent of capital funds, which in Connecticut National's case would be a line of around $150,000.00. By a review of all credits in excess of $150,000.00, in excess of—or—excuse me—all those loans that would be in default, either past due or not paying,

we end up with a selected sampling of approximately 80 to 85% of the dollar volume of loans on the books of the bank.

The examiner is reviewing these for the borrower's [1931] collateral present for the loan, the worth of the collateral, the borrower's capacity to repay the debt, and whether the asset is really money good on the bank's books to pay its deposit liabilities.

Q Do your examiners review the performance of the officers of the bank?

A By indirection. I mean you—he works from what he sees in the assets and operations of the bank, and imputes from that whether the management is qualified or is doing a good job. He reviews earnings performance and measures that against similar sized banks, and I mean these are the tests that he uses for management.

Obviously, if it came to—to the examiner's attention that an officer or management was involved in some type of criminal activity, I mean this would have an unfavorable factor, also—unfavorable impact on its rating.

Q Do examiners ever express opinions on the general competence of the management?

A Very definitely, that is a requirement.

Q That's part of the formal examination requirement?

A That is in the confidential section of the examination report, the examiner is required to give his subjective opinion on condition, the management, the bank's earnings, its capital adequacy, its liquidity, which is the ability to meet its normal [1932] and recurring demands in the usual course of business without dumping the assets, internal controls and audit procedures and future prospects.

This is the examiner's subjective evaluation as he sees it and it is not made public, it is kept within the confines of the office. I believe it is the Administrative Procedures Act specifically exempts the data in the examination report from publication.

Q Who receives copies of the bank examination reports?

A Well, the examiner files what we call the pencil copy, but it's a field copy that he prepares with my office.

We do an initial statistical review of that examination report. We have our qualified typists retype it and I initiate any corrective action in the—that the report requires.

Copies of the examination report proper and of any correspondence that I generate are sent to the Comptroller of the Currency in Washington.

A copy of the open section of the examination report is returned to the bank for their attention, and there is one page in the report that's headed up "Matters—examiner's comments and matters requiring attention." And then one copy goes to the District Federal Reserve Bank and one copy is forwarded to the FDIC—the Federal Deposit Insurance Corporation in Washington.

[1933] Q Do you personally review every bank examination report that comes into your office?

A No, I do not.

Q What percentage of them do you review?

A I review all examination reports over 150 million dollars in assets, and all examination reports which we have rated group 2, which generally is a report that would have one of three type weaknesses, either capital inadequacy, asset weaknesses, which would be classified assets in excess of 20% of capital funds, or has management problems.

Q For how—

A I also—

Q Excuse me.

A If there is a report which is not that bad, but my deputy initiates a letter on it, the letter is initiated for my signature, and I will review that report before I sign the letter.

Finally, I have instituted a review procedure in which a capsule comment of the examination report is made by the review examiner in the office. He highlights the examination report with the statistical information alongside it, and he will point out any problems that the examiner puts on this page two or comments "to be corrected", and in the review of these history sheets, that we call them, I spot check anything that should [1934] be checked, but I do not review all of them.

Q Defendants being both over 150 million in assets would fall within the category which you automatically review, is that correct?

A That's right.

Q For how many years have you reviewed the examination reports of each of these banks?

A I have been in Boston for four years and I have reviewed them for the better part of those four years.

Q And copies of these examination reports, I believe you testified, go to Washington?

A That is correct.

Q Mr. Donovan, are you familiar with the requirements of—both statutory and the requirements of your office—which must be met by applicants for a merger or a consolidation, that is: the kind of information that must furnish?

A I am familiar with the requirements, yes, sir.

Q Can you describe generally what those requirements are?

A Well, the initial requirement is that when two banks make known to us that they attempt—they desire to attempt to merge, we have an application form, and then we have a suggested summary of information which we provide them with to compile this data in a systematic matter and present it [1935] to us for our review.

Q Are you familiar with Exhibit D-35, which is the application filed with the Comptroller of the Currency for the consolidation in this case?

A I saw the application. I take your word that it is D-35.

Q Yes. And is this typical of the applications which your office receives on a consolidation or merger?

A It is typical to the extent that it follows the format, I really believe this is one of the better presentations that have been made to us.

Q Now, do you have any basis for knowing the amount of time of bank officers and employees and of attorneys that may have gone into the preparation of this application?

A I have—I have—I have some idea of what time we spend, and from my experience in Washington having

sat in on conferences in Washington during the preparation stages prior to acceptance of the document—of the application by the Comptroller, I know that substantial time goes in there, but I couldn't give you a—anything I said on the exact number of days would be hearsay.

Q Right. All right.

Mr. Donovan, when applicants want to—or decide to file a merger application, what—can you tell us what the [1936] procedure is which they are required to go through with the Comptroller's office?

A Well, if two banks came into me and asked—and said that they were discussing merger, my immediate—we sit and review the possibilities. My general instructions to them are to prepare a basic minimum of data, and this is basically their balance sheets for the last two years, a current statement, their earnings statements for the last two years and current earnings, a list of their branch locations, preferably that they put those branch locations on a map, and then to make an appointment to see the Deputy Comptroller of the Currency for branches and mergers in Washington, and go down and talk to him about the merger application.

Q Now, is there any requirement that the application be in any particular form, or does it need to be accepted for filing, or can any kind of an application be filed?

A No. It—we desire that they follow the accepted form. I don't know whether they accept one that is not within that format. I have never seen anybody fly in the face of the suggestions of the office in this matter, but they—when this group of bankers goes down to talk to Mr. Blanchard, Mr. Blanchard will arrange to have his chief assistant who reviews the mechanics and the amount of data in this—in an application, the economic data, the loan data—to review the merger [1937] agreement, the consideration to be paid, the evaluation to be put on the assets, and in the initial meeting they generally just talk about what we need.

Subsequently they make arrangements for—after they go back to their bank and prepare this data—they come down and present it for review prior to formal filing.

[1938] BY MR. REYCRAFT:

Q So that before formal filing it must be accepted for filing by the Comptroller's office as to completeness, is that correct?

A That is correct.

Q Does the Comptroller's office require that the applicants discuss competition, competitive factors?

A That is correct; that is part of the application format.

Q Is the extent of that information one of the factors which is reviewed for completeness by the Comptroller's office before acceptance for filing?

A That is correct. This kind of goes hand in hand with the map outlining the branch locations which I suggest they bring with them immediately in order that the—the Deputy Comptroller for branch—for mergers can impute from that whether there is a substantial competitive problem.

Q Is there a review in the Washington office of the Comptroller's office of the merger application?

A After the formal application is submitted and I conduct—or I cause a field examiner to conduct his field investigation and it's returned to me, it is then sent back to Washington and it is again reviewed there by several people. It goes to the—to the legal section, to the [1939] corporate division, to be reviewed for completeness again, along with my report and the field examiner's report. It then goes to the Deputy Comptroller in charge of the region in which the banks are located, and then to the—back to the Deputy Comptroller for mergers and branches, and finally up to the Comptroller for the decision.

Q You testified earlier that the examination took approximately eight days. This seems like a rather short time.

Can you tell me why it is possible to complete a field examination in that period of time?

A Well, the field examination is basically to check on the validity of the data that the applicants submit, the dollar numbers, to call on the competitor banks, to

make customer calls or public calls, and to distill the knowledge of the history of examination reports that we have to answer some of these questions on condition and management and earnings and prospects and capital adequacy. It is never—well, for a better term, I don't feel that it's our job to reinvent the wheel, to go back and start all this information from scratch. It's a verification type approach, not a compilation of the information from the start.

Q Did copies of the applications which were filed in connection with this proposed consolidation go to the [1940] Department of Justice, the Federal Deposit Insurance Corporation and the Federal Reserve Board?

A That is right in the Bank Merger Act.

Q That is required?

A That is required, that the regulator who has supervision over the resulting bank furnish copies of the application to the other—to federal regulatory agencies and to the Justice Department. This is the same information that all four of these agencies make their decisions on, and it's the information that Justice had—the basis of this suit.

Q Did your office furnish any information to the Department of Justice on this proposed consolidation other than what is contained in the application, D-35?

A I do not know if Washington did or not. I did not.

Q As far as you know there is none?

A Oh, no, it's not normal.

Q Mr. Donovan, you testified earlier about the examinations which your office conducts.

Can you tell me what your understanding is of the reason that Congress requires that such examinations be conducted?

A Well, as I've said here before, I really—[1941] Congress has—has a vital interest in the health of the banking industry, that they realize that a healthy financial industry is the lifeblood of this economy and of the country, and it is for this reason that they regulate the banks, to put the government in there to stop the banks from—if they would get too far out of line and

conduct their affairs in an unsafe and unsound manner.

And this, in my opinion, is my job and the examiners that work for me, that we examine these banks on a reasonably frequent interval; that in addition to that examination process we receive reports of conditions four times a year and we receive their report of income at the end of the year; that the regulatory process is involved in the banking business from shortly after conception to the grave. Shortly after this group of organizers decides to form a bank, they have got to come to a regulator and get permission, and that regulator is standing there throughout the bank's whole period of existence up to its —its demise; and in many cases it's the—in a bank failure case—it's generally the regulator that presides over the demise.

Q Mr. Donovan, are you familiar with the fact that the Bank Merger Act requires the responsible agency to take into consideration: "In every case the responsible agency [1942] shall take into consideration the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served"?

A I am familiar with that, and I thought I had testified to that yesterday, that this is—that it's—it's the financial and managerial resources of the bank that we're interested in, the convenience and needs and the prospects of success of that merger. Very definitely.

Q Do you understand that that language could have conflict with an action that a bank wanted to take which might be procompetitive?

MR. CLARK: I object, your Honor, as to what he interprets statutory language to mean.

MR. REYCRAFT: He works by statutory language. He has to have an understanding. I might be wrong, but he has to have an understanding of it.

THE COURT: Yes, I assume he applied it.

MR. REYCRAFT: Yes, sir. This is his guideline.

THE COURT: What is your objection, Mr. Clark?

MR. CLARK: Mr. Reycraft's asking him to give what I think is a legal opinion on certain statutory language that Congress has enacted. I think rather

[1943] than asking him to interpret a statute, he should question the witness as to his own standards which he applies and not what he might consider some law to mean to him.

THE COURT: Although it is not binding on the Court by any means, the Court has to look at these things de novo. The exhibit of the Comptroller's opinion is before me, and I just take the question to mean how do you interpret the statute. I assume right after that we are going to find out if he applied it.

So the objection is overruled. I think it is relevant if he interpreted the statute correctly; it is just as relevant if he interpreted it improperly. So the objection is overruled.

A Would you restate the question?

Q Yes.

Mr. Donovan, you understand that you are required to apply the statutory language which Congress has enacted that applies to the Comptroller's office; is that right?

A I do that, yes.

Q Do you feel that in general you have an understanding, which I am not saying is right or wrong, as to what you are supposed to do under those standards?

[1944] A Yes, I do.

Q In your understanding and in your application of the statutory standards, do you consider the financial and managerial resources and future prospects of the existing and proposed institutions, and has it ever been your experience that these might conflict with actions which banks might want to take which in and of themselves might be procompetitive?

A That is correct. These are the—at the—at the regional level and at the field level, these are major considerations. This is what we do 90 percent of the time on a continuing basis, our concern with the condition and management of the bank and its earnings ability. These generally dictate the—or it's in response to these that we take action. In a merger application we give weight to these things, or even in a branch application they are weighed in this analysis of do you permit the bank to do

what they're asking to do or do you fall back on that legislative dictum to regulate this industry to provide for a safe and sound banking system to protect the public's assets.

Q If you assume that there is a national policy which favors competition as embodied in the antitrust laws and a national policy in favor of the solvency of banks as [1945] embodied in the statute which you administer, has it ever been your experience or is it your opinion that these policies can come into conflict?

A I could see—I could see where they conflict, and I just point out that—I am not a lawyer, but I have read the Bank Merger Act a number of times, and in the Merger Act it's there—in an extreme case, such as a failing bank, that the—that they—that Congress gave weight to the—to the regulatory authority to dispense with the competitive factors altogether.

Q In your review and recommendations on the proposed consolidation, did you take into consideration the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served, to the best of your ability?

A Yes, sir, I did.

Q What was your recommendation on this proposed consolidation?

A As I said to Mr. McEnerney's question, I recommend that it be approved.

THE COURT: Mr. Bell?

MR. BELL: No.

THE COURT: Cross-examination.

[1946] MR. CLARK: Your Honor, at the outset I would like to renew the motion which the plaintiff has made for access to the files of the Comptroller of the Currency relating to his actions on de novo branch applications in Connecticut since 1966 and also for an answer to plaintiff's interrogatory which requested the reasons for the denial of those branch applications which had been denied since 1966.

Also, I move at this time, your Honor, that the intervenor's report, the report which came from the Regional

Comptroller, the investigative report which was made under his direction, and all other recommendations made by other subordinates of the Comptroller of the Currency as to this consolidation also be made available to the plaintiff.

THE COURT: All right. Of course, those are different requests. I mean they should be considered separately?

MR. CLARK: Yes, your Honor.

THE COURT: All right.

I know this has come up previously, but would you refresh my recollection on whether briefs have [1947] been filed?

MR. CLARK: They have been filed, your Honor. We first filed briefs when we filed our motion last summer, and there was a brief argument on the matter at a pretrial conference in July.

It was our contention—and still is—that to the extent that the whole issue of the regulatory action is in the case, it is an affirmative matter which the intervenor raises; and your Honor ruled at that point that because of that, because it was not then an issue, we would not then have access to these materials.

THE COURT: All right, let's take them in sections.

Take the administrative files of the applications for de novo branching which were denied. Let us assume you had those files. All right.

MR. CLARK: May I clarify the request?

THE COURT: Yes.

MR. CLARK: We asked for reasons; that is, we asked for an answer to an interrogatory requesting the reasons for the denials. We asked for all files on all applications, whether approved [1948] or denied.

THE COURT: I thought none was approved since 1966 except one in Stamford.

MR. CLARK: This includes both branches and new banks, your Honor, and, of course, there have been many, many branch approvals.

MR. McENERNEY: Your Honor—

MR. CLARK: You know, I have not stated my reasons yet. I would like an opportunity to do so.

MR. McENERNEY: I am sorry.

MR. CLARK: Your Honor, this witness has testified as to what he would recommend on some future unspecified branch applications. The intervenor, I am confident, will ask your Honor to find that regulatory approval for the defendants to expand into each other's market areas de novo would probably not be forthcoming.

I think it is unconscionable, if the intervenor raises that issue and if the intervenor asks the Court to so find, that the intervenor does not permit the government to have access to the only materials which are available which would provide us with the standards which the intervenor [1949] supposedly applies.

We have no way of rebutting the testimony which this witness has given as to what these standards are, as to the way in which such applications are processed. There is nothing we can do unless we know what has been done in the past. It seems just almost self-evident that, if there is to be a finding as to what the Comptroller would or would not do, we have to know how the Comptroller acts, and the only way we can do that is to look at those files.

MR. McENERNEY: Your Honor—

THE COURT: Do you oppose the request?

MR. McENERNEY: Very definitely, your Honor. I thought that this was a dead issue, but obviously it is not.

We have given Mr. Clark access on two different occasions, for at least a day each—he and Mr. Bentkover have been over to our office. They have examined 91 branch files going back for the five-year period which he has now requested, they have examined five new charter files, and the only thing that I have told Mr. Clark—I guess I have told him now about five times—that we [1950] claim is privileged—because these are internal documents, they are the cerebrations, if you will, of the Comptroller and his subordinates, on which he believes he has an absolute right to rely, but not to be divulged unless a privilege is waived. We honestly

believe that this is a fair and—a privilege and immune from discovery under Rule 34.

THE COURT: Did you submit a brief on this?

MR. McENERNEY: Yes, we have, your Honor, a rather extensive brief, too.

MR. CLARK: Your Honor, the witness testified—

THE COURT: Have you finished, Mr. McEnerney?

MR. McENERNEY: He has seen these files. It is not as if—it may be I am not reading Mr. Clark right, but I got the feeling that he was trying to tell your Honor that he has not seen these files. He has seen them. He has not seen certain very narrow portions of them. He has seen every protest letter, such as there were. In another case I have claimed protest letters were more or less like informants, but I gave these protest letters to Mr. Clark in this case willingly and I waived the privilege on those.

[1951] THE COURT: Are these reports generally in form categories? For example, the first part of the report says "Facts" and the second part something else, third part, fourth part? In other words, you are saying you are holding back one part, and I am wondering what is the category of the part you are holding back.

MR. McENERNEY: I think it is probably mixed; it is mixed conclusion and mixed fact. He has seen, of course, every application; he has seen that portion of it. He has not seen memoranda that Mr. Donovan wrote for the eyes of the Comptroller. In a given case, conceivably, I have written a memorandum; he has not seen that, as a lawyer to his client, intraoffice materials, from a deputy to the Comptroller.

THE COURT: Has he seen the section that is marked "Recommendation"?

MR. McENERNEY: No, he has not.

There is a distinction in the cases, your Honor, and it may be that I could be of help here.

We do not have a charge—at least up to this minute—in this case by Mr. Clark that the Comptroller in this merger case was arbitrary or [1952] capricious. There is a distinction in these cases in the arbitrary and capricious.

Branch office cases files of this nature have been voluntarily handed up to your Honor. I believe in the Fidelity case that your Honor had this was actually done. There there was a charge by a bank against another bank and the Comptroller that the Comptroller had acted arbitrarily and capriciously; and obviously the only way that your Honor could find this out was to see what the Comptroller had before him.

In those cases which are, on the civil side of the court, branch questions on a single branch, not on a statewide basis—we are not talking about 91 files; we are talking about a single file—in those cases, and, in fact, across the country we have done this—we have allowed the Court to look at this. Then the Court can look through the file and decide whether the Comptroller had substantial evidence in front of him to act as he did.

But that is against a charge of arbitrary and capricious action.

I do not understand Mr. Clark to claim this in [1953] this case, nor in any of the other cases that the Antitrust Division has brought and we have joined as an intervening party.

They have attempted to do this in a number of cases, to try to get to our internal working papers, and we feel that it is immune from discovery because they are of a confidential nature.

THE COURT: Let me ask you this, Mr. Clark: Let us assume you saw these internal papers and the Comptroller has been applying the standards that he says he has on the stand, because he has testified to standards; and let us assume another course; let us assume he has not applied the very standards he has mentioned.

What do we do in that case? How can they help you? Just tell me how they can help you.

MR. CLARK: If he has not applied those standards, then what he is telling us today must be something that he just sat down and wrote out a week ago. It certainly goes to the weight of his testimony.

THE COURT: What if he has been applying im-

proper standards? What power do I have over him to make him in the future apply proper standards?

[1954] MR. CLARK: You have none, of course, your Honor. But I think it goes to the extent to which this witness is to be the foundation for a finding of some regulatory barrier here that would affect this case.

THE COURT: Give me an example. What would you hope to find to help your case?

MR. CLARK: Your Honor, this witness has testified, number one, as to internal cerebrations, both his and others', apparently in relation to branch applications. He has testified that his recommendations in the past for the most part have been consistent with the final action of the Comptroller. He has also testified, I guess, that in the future, for some very vague reasons—apparently the only one which I can discern is population per banking office—he would recommend against such applications.

It so happens, your Honor, that since 1966 the Comptroller has approved more than 90 percent of all de novo branch applications in this state.

I want to know how he can be consistent with the recommendations that he has made previously, which apparently were 90 percent in favor of [1955] granting the application, and then get up there and say that from now on we are going to shut the door.

THE COURT: So far, subject to objection, I see nothing wrong in your asking him all these questions that you want to and probe it.

Let's get to the latter request, the field examiner's report. Tell me what that consists of.

MR. CLARK: Well—

THE COURT: Have you seen any part of it?

MR. CLARK: I have not seen any of it, your Honor, and that report relates to this merger. This merger is what is being tried today, just as it was the branch application that was being tried when your Honor had access to that investigator's file, but I do not have access—

THE COURT: You have not seen any part of that?

MR. CLARK: I have not.

He has testified as to what this investigator found,

he has testified as to his own recommendation, but I have not seen it, your Honor; and it does seem to me that the government should be entitled to it.

THE COURT: What do you have to say about [1956] that?

MR. McENERNEY: I do not think he is entitled to it as long as the man is here and as long as I did not—

THE COURT: But he is not here. We are talking about—

MR. McENERNEY: As long as Mr. Donovan is here. Since I did not ask—in fact, I withdrew the question yesterday—I did not ask Mr. Donovan what this man in the field told him—I do not feel he has a right to probe behind it any further than that. The man is here.

THE COURT: Did you brief this point?

MR. McENERNEY: I did not brief this particular point, no, your Honor.

THE COURT: Let me ask this:

In your recommendation to your superior, did you use the bank examiner's report in any way?

THE WITNESS: The examination report?

THE COURT: Yes.

THE WITNESS: Or the investigation of this merger, sir?

THE COURT: I am talking about the field—

[1957] MR. CLARK: Field investigation.

THE COURT: —field investigation report.

Did you use that before you made your recommendation?

THE WITNESS: Yes, sir. I believe I testified that upon completion of his, I reviewed his report and the application.

THE COURT: All right. You tell me why that is not discoverable. In other words, if he sat on the stand and said "I used a pamphlet entitled 'Population For Banks Per Bank In Connecticut,'" isn't Mr. Clark entitled to say "May I see that pamphlet"?

MR. McENERNEY: I have difficulty with that spe-

cific document, your Honor, and I would have to be frank: I would have to back down on my position on this one document. I would be willing to make that available.

THE COURT: Is that available here?

MR. McENERNEY: I may have it in my bag, your Honor. I am not sure.

MR. CLARK: Not only the investigative report. I would also want Mr. Donovan's recommendations, since he has testified to what they were. I have not seen them. [1958] THE COURT: Let's take these things in sections.

Now, apparently there's a file called "Field Investigation", is that correct. Mr. Donovan? Is that correct?

THE WITNESS: That's a good name for it, it's not

THE COURT: All right. Field investigation file. I am ordering that turned over to you.

Now are you saying that he has another file? You want to see—

MR. CLARK: Yes, sir.

THE COURT: What?

MR. CLARK: I believe he himself made a recommendation as to this merger which he has testified to, and I would like access to that, also.

MR. McENERNEY: All right.

THE COURT: No problem with that?

MR. McENERNEY: So we're talking two documents, your Honor.

THE COURT: Your recommendation and your letter, whatever you said to Washington doesn't differ from what you said here, does it?

THE WITNESS: No, your Honor.

THE COURT: You recommended this to the [1959] Comptroller?

THE WITNESS: I answered that several times.

THE COURT: That's ordered to be turned over.

MR. CLARK: And any other materials which he relied on, internal materials to make his investigative—to make his report.

THE COURT: Well, I'm not sure if we can define

those, because maybe he's going back over the years based on his knowledge and experience of Connecticut banking and probably has a thousand and one small little things—input into his final decision that he obtained from documents. So that's going to be pretty hard. I will have to wait till you tie those things down in cross examination. Because I suppose to some extent every single document he has ever seen from the State of Connecticut influenced him someplace along the line directly, indirectly, inferentially and otherwise, osmosis and everything else. But—so if you can get these things identified, connect them up to his opinions, I will probably order them discoverable, but so far we have only identified two things. One, the field investigation; two, the report that he sent to his Comptroller.

[1960] Now, this privilege claim, getting back to the other document, very frankly, you are quite right, it isn't a dead issue. If my recollection is correct, I left it open for renewal at trial, but I have not candidly reviewed the briefs, I think I better take a look at them.

MR. CLARK: I think the Comptroller has to make a choice, your Honor, I'd like to read something from Mr. McEnerney's brief on this subject, I think this is illustrative of what they're trying to do.

He says—and I quote—"Every application involves a different and unique area with differing economic conditions, the number and size of existing financial institutions differ in each area, the banks applying for branches differ in size, capital strength, deposit structure, financial conditions and adequacy of management and personnel. To attempt to compare an application approved or disapproved in one area with that in another town is impossible, for no two situations are identical. For such information to be of value to plaintiff, it must show a relationship of something intervenor did in the past with regard to a branch or a new charter approved or denied to something in the future. But how can [1961] a relationship be shown to something in the future which is unknown and may never happen?

"Whatever the reasons for the Comptroller's action in Prospect in 1966 or Newington in 1966, they can hardly

be relevant today in either town or in any other of the 169 remaining towns in Connecticut, each bank market is different and the needs of each area are not always the same."

Now, if the Comptroller is taking a position that there's no relationship between what his man says and what he did in the past on any application, they cannot turn around and say that there is a relationship between what he says now and what he might do in the future.

THE COURT: You see, I see your point, and it occurs to me that I might—in response to the claim that de novo branching is an avenue that's closed, I might cite that very language in my opinion.

On the other hand, it seems to me to be a perfect answer to your request, not on the grounds of privilege, because that's open, I haven't researched but on relevancy.

Let us assume you show me that he made ten mistakes in the last month, last year, the last two [1962] years, that he applied improper standards. How does that help anybody?

MR. CLARK: I'm making no contention that there's any improper standards at all or any mistakes at all, I simply want to find out what those standards are.

THE COURT: Why don't you ask him. He's sitting there.

MR. CLARK: Your Honor, much as I like to cross examine, it does seem to me that the best way to find out what standards are is to find out how they have been applied in the past, if there are standards, then they have been applied in the past. If there are none, this witness cannot sit up there and testify as to what they are.

THE COURT: Here is another thing that concerns me. Let us assume that you have 91 files and you disapprove of 60 of them, that is: there is 60 of those files that you feel you have to cross examine one, I will have tried 60 cases and end up with something that doesn't tell me a thing. Because all you are saying to me is, "I need these files to see what standards he applied." And I am saying: regardless of what standards he

applied, they are disapproved [1963] or disapproved. How does that help us for the future?

MR. CLARK: Because, your Honor, it is just as clear that he cannot testify today as to what he would do in a specific application.

THE COURT: Why didn't you object? You didn't object.

MR. CLARK: Oh, yes, your Honor, I think I did. I mean he has given testimony as to standards and he has applied standards and come to some conclusions about whether or not he would recommend approval. Now, if these standards exist, your Honor, the best way, and the only way, in fact, for us to find out what they are and how they have been applied is to go back and find out how they have been applied.

Because I see manifest inconsistencies between the Comptroller's record of approval and this man's testimony. I see a 90% approval rate.

THE COURT: Well, why don't you bring this out on cross examination? I think what I am going to do is sustain the objection with respect to these files on the ground of relevancy and reserve on privilege with leave to renew after I see what your cross examination is. But frankly, I don't see how they [1964] are relevant.

He said, "I haven't done certain things in the last five years. And it looks to me based upon population that I wouldn't recommend certain other things to be done in the foreseeable future." You have a right to cross examine him on that.

Now, let us assume you pick up 60 files on denials or approvals and they completely violate the standards he set up in one way, although he's covering himself, I might say, he said: all things being equal, population would be a factor.

But let's assume that population isn't a factor in 90 of the cases that you show me. Can I say that in the future population would not be a factor? That's the point.

MR. CLARK: Your Honor, you can draw any conclusion you would want. I would ask your Honor to conclude that since it hasn't been a factor in the past

and since in the past most of these applications have been approved, that this witness' testimony—very, very little weight as to this issue of regulatory approval.

THE COURT: Maybe I will say that without going through the 90 files, maybe after you cross examine [1965] him along the lines you want, I can reach that conclusion without trying 90 separate files, or 91.

MR. CLARK: Your Honor, I certainly wouldn't attempt to do that. I would, instead, attempt to discern what these standards are and apply—

THE COURT: Let's try—my ruling is that the objection is sustained at this time based on relevancy. I will reconsider it if I find you are having difficulty on cross examination to make your point. But I don't see the need of these files for you to cross examine him.

I do see, however, the need for the other files that you requested, and they are going to be turned over.

MR. CLARK: Your Honor, may I—if the record isn't clear on this, I want it to be, that I do object also on the grounds of relevancy to testimony by this witness as to possible recommendations in the future based on facts on which he has no way of knowing precisely what they are.

THE COURT: I am waiting for your cross examination on this. Because I think I said at one point maybe his opinion won't be worth the paper that they are typed on, and I really shouldn't say that, because [1966] court reporters are getting pretty good money per sheet.

But on the other hand, I may give him great weight. I am waiting for your cross examination, and I don't think you need 91 files to cross examine him on.

Now, what weight I will give his opinion will depend in large measure on what you can show me on cross examination without these files. If I think you need these files and you renew your request, I will let you see them. But right now I am ruling on relevancy and not on privilege. I will reserve on privilege.

Now, can you proceed to cross examination, or do you want to look at the investigative report first?

MR. CLARK: I will proceed, your Honor.

THE COURT: Very well.

CROSS EXAMINATION

BY MR. CLARK:

Q Mr. Donovan, with respect to de novo branch applications and/or new bank charters—well, I'm sorry—first of all, with respect to your recommendation as to this merger, was there investigation made of this merger by anyone other than Mr. Veronneau?

[1967] A Do you mean in the field?

Q Yes.

A No.

Q Did you obtain recommendations from anyone else in your office as to whether or not this merger should be approved?

A At the regional level?

Q Yes.

A No.

Q Did you retain—did you obtain recommendations from anyone at the regional level as to any aspect of this merger, per se, whether or not certain issues were as they were stated in the application, for example?

A Well, this is the purpose of the field investigation, to go out and verify the data in the applicant's application. So that in that case, I did obtain Mr. Veronneau's views.

Q And you obtained no one else's?

A That is correct, I did not.

Q Did anyone else in your office review the application?

A I cannot answer that with any degree of certainty. No one was delegated to review it.

Q Did anyone else in your office write any memoranda to you regarding this application?

A No, they did not.

Q Did you obtain any other documents from any other [1968] source which you relied upon in making your recommendation that this merger be approved?

A Having heard the conversation before, I'm a little bit—the—in regards to this specific application, no, I did not. However, in the office I have access to our examina-

tion reports to the bank's call reports and to—or reports of condition is the proper title—and to the incoming dividend report and to the correspondence, our correspondence file. This is available to me.

Q Is that all—

A I don't know whether that's responsive to what you are asking. What did I look at?

Q Well, it is—

A But that—

Q Did you look at anything else?

A I—well, I—we get publications and pamphlets in the office. We get Federal Reserve statistics, we get the Federal Reserve bulletin, we get the FDIC print-out on consolidated reports of conditions for all the states in New England, we get—we're on mailing lists which provide us with news letters and things like this, various investment houses send us the latest quotations on bank stocks.

All of this information is addressed to me as regional administrator, and I do skim through it, and when I need statistics [1969] I do fall back on it, but this is public information. This has all been published.

Q All right.

A I can't tell you—for instance, I know that the price-earnings ratio for banks in New England are between eight and ten times their per share earnings.

Now, I might use something like that in reviewing an application in front of me, but I don't have to go look it up in a book.

Q All right. There are no other internal documents, then, that is: documents created in your office either by you or by anyone else working for you, relating to this merger?

A And solely to this merger?

Q Yes.

A No, no, there are not.

Q As to de novo applications, then, how many recommendations come out of your office? The field examiner makes one, doesn't he?

A De novo what, charter or branch?

Q Charter or branch. Both.

A Yes. The field examiner makes a recommendation, that is correct.

Q And does anyone else in your office make a recommendation?

[1970] A No, he does not. If I was absent, the deputy regional administrator would make it—make the regional administrator's recommendation.

Q Does the deputy make a recommendation to you?

A No, he does not.

Q No one else other than the field examiner?

A The field examiner makes one and I make the second one.

Q Right. And then the application goes to Washington, is that correct?

A That is correct.

Q How many people review it in Washington?

A On a branch application it comes into the branch section where it is briefed and sent over to the—I believe to the deputy comptroller in charge of the—I might not have the order right, but I know who gets to vote. It's the Deputy Comptroller of the Currency in charge of the region, the Chief National Banker, the Deputy Comptroller for branches and mergers and the Comptroller of the Currency.

Q How many of these individuals make recommendations to the Comptroller of the Currency?

A It is my undertanding that all three of them did and the branch section.

Q And the branch section?

A And the branch section.

[1971] Q So there are four separate recommendations made in Washington to the Comptroller of the Currency?

A That is my understanding.

Q Do any of these four sub levels, if you will—are any of their subordinates also involved in making recommendations to them relating to an application?

A I cannot answer that.

Q So there are at least five recommendations, then, which the Comptroller will consider when he—when he makes his decision, is that correct?

A I count six. Two out of the region and four in Washington.

Q Okay. That's right. Who makes the final decision on such applications?

A The decision is made by the Comptroller.

Q It is his alone?

A It is his alone.

Q Does he publish reasons for his decisions?

A No, he does not as a general rule.

Q So you aren't testifying, are you, that the Comptroller would or would not do a certain thing with respect to an application in the future for entry into any town in Connecticut?

A You are correct, that was not my testimony.

Q And your testimony only relates to what you would [1972] recommend?

A My testimony only related to what I would recommend on the one issue of population per banking office.

Q That's all?

A That one consideration, yes, sir.

Q Is that the only consideration that you—

A As I testified on direct yesterday, that the factors that we consider are the condition of the bank, its management, its earnings, future prospects, the convenience and needs of the community and the legality of the application.

Under convenience and needs of the community and under future prospects, this idea of population per banking office is concerned, it's one of five or—five considerations—six considerations, I forgot capital adequacy. Capital adequacy is in there. But it's—all six are considered.

Q But I'm asking you what you considered in your testimony, population per banking office, is that the only factor?

A On the specific question of my study of those towns in the three counties I was just looking at the effect of population per banking office, yes.

Q Now—so it is a personal decision by the Comptroller based, of course, upon recommendations which he receives from subordinates as to whether or not he will

grant [1973] an application, a de novo application, is that correct?

A That is correct.

Q And, of course, it is axiomatic, is it not, that as regulators change, policies might change, is that correct?

A That is quite possible, yes.

Q And, in fact, that is—happened in the past, hasn't it, where new regulators comes in with new ideas and new policies?

A That is correct.

Q And the same is true, I suppose, of merger policies, one regulator may have a more strict merger policy than another would you agree?

A I would have to agree with that.

Q And, in fact, we have seen a change in Washington, have we, in—haven't we, recently in one of the bank regulatory agencies as to their merger policy?

A I am not a member of the Federal Deposit Insurance Corporation, I cannot speak to that.

Q Why did you refer to the Federal Deposit Insurance Corporation?

A I see what's in the paper, I don't know what was behind that.

Q Why don't you tell us what you know about their merger policy?

[1974] A I really can't speak to their policy, I'm not a member.

MR. McENERNEY: Your Honor, I object to this, he's asking what the man saw in the paper.

THE COURT: He said he can't answer the question.

MR. McENERNEY: All right.

Q Well, is it your impression, Mr. Donovan, that the Federal Deposit Insurance Corporation has adopted a much tougher stand on mergers under Frank Willy, the former state regulator of banks in New York, than it did in the past?

A Based upon what I have read in the newspapers, it would appear that way, yes.

Q Mr. Donovan, it is true, is it not, that the Comptroller does grant new charters to holding companies in new towns, so to speak, not in Connecticut, now, but in

other parts of the country, the Comptroller does and has permitted holding companies to enter new areas through de novo charters?

A That is correct.

Q It is—would you call it a common thing in this country?

A Well, if you will define "common"—it has happened.

Q All right. The Comptroller knows, doesn't he, when he grants this charter that he is granting it to a holding company and that this bank will be controlled by a holding company, [1975] doesn't he?

A In the one case that I am familiar with, he knew that the—that the organizers included a registered bank holding company, yes.

Q And so the applicants put right on their application, don't they, this bank is going to be controlled by a holding company, is that correct?

A They are required to disclose it. I can't say whether it is on our application form or not. I do not think it is.

Q But if they disclose it, then, I take it there is no misrepresentation, is there?

A That is correct, that it probably would be in the supporting documentation.

Q And as long as there's no misrepresentation, there's no reason for the Comptroller to deny it because of a possible policy against the granting of a charter and a subsequent sale, is there? I'm afraid my question wasn't very well put.

Let's—well, pardon me, do you want to answer it?

A No, I'd rather have you ask it again.

Q All right. All right.

The Comptroller has a form, does he not, the application form says that there is a policy against the immediate resale of a bank by those who are applying for a charter?

A It is not a policy. What the application form says [1976] is: "Are there any undisclosed arrangements", on the application form itself.

Furthermore, in investigating a charter, any charter, we require substantial biographical and financial information on the organizers, and we throw something—we keep a string on it and require any owner of in excess of 5% of the bank stock to file this information with us, also. So that if the applicants were above board, the holding company was going to be involved, we would have knowledge of it.

Q And as long as you have knowledge of it, that fact by itself is not reason for you to deny the application, is it?

A That is correct.

Q Do you know whether or not the Comptroller has approved de novo charters to holding companies in areas which were included in the press release which you testified to yesterday?

A I am only familiar with the First National Bank Region, which is the six New England states. The only portion of New England that was in the press release was the State of Connecticut, as there has been testimony, no holding company has applied for a de novo charter.

THE COURT: It is a simple question, Mr. Donovan, why don't you try to answer it directly? He said: do you know of any? Can't you answer that yes or no?

THE WITNESS: I do not know of any officially. [1977] I know from reading the papers that charters are granted in Florida and Texas.

Q Mr. Donovan, when was the first time that your office because aware of this proposed consolidation?

A I do not directly know.

Q I'm not asking for a date.

A I would presume it would be sometime in the spring or early summer of 1970.

Q Yes. I'm not trying to test your memory for dates, but was it when you received the application?

A No, it was not. I believe Mr. Hawley or Mr. Chadwick contacted me and made an appointment, or they might have just called up and said they were going to Washington, but out of courtesy the banks do tell us they're talking about these things.

Q Are you aware that the officers of these two banks did visit Washington before they filed the application to talk to representatives in the Comptroller's office?

A I would assume they did, but I also point out that it is my rem'—if somebody comes into me—that they doing—down there and talk to them, I mean—so that's a practice, yes.

Q But you weren't present at any such meeting, were you?

A No, I was not.

[1978] Q Do you know whether or not representatives of the Comptroller at that meeting indicated to the officers of these two banks that their application would be approved?

A No, I do not.

Q Did anyone communicate that fact to you?

MR. McENERNEY: Object, your Honor, he's asking the man—the man said he wasn't at the meeting. Now he's asking him whether or not he knows what happened at the meeting.

THE COURT: Well, questions are evidence, so I will overrule the objection and give him some leeway here. Maybe they conferred after, there may be a lot of ways he knows what went on at the meeting. Maybe he talked to somebody who was there, but he said: no, in any event. Go ahead.

Q No one communicated any facts to you which would lead you to believe that there was such preliminary approval given?

A No, I do not.

Q If the defendants' officers came away from such a meeting with the impression that such approval would be given, would you consider that to be a proper way for the Comptroller to act on such an application?

A I can't speak for the Comptroller in this particular area, but if someone—I cannot control the thoughts of the [1979] bank officers, as to what they presumed that the Comptroller did or did not say. I don't know what they presumed.

Q You would certainly hope, then, that the Comptroller doesn't do this sort of thing, I take it?

A I have presumed that he does not do it.

Q Mr. Donovan, have you ever recommended against approval of any merger which was proposed in your district on the grounds of elimination of competition?

A Did you qualify that as to my period as regional administrator?

Q Yes.

A Or my whole period with the Comptroller's office?

Q Well, both. Both.

A Which one do you want first? As regional administrator I have not recommended disapproval of a merger on anticompetitive grounds.

Q All right. Now, how about—

A On my period as a field examiner in the Cleveland, Ohio region, I have not recommended disapproval of a merger on anticompetitive grounds.

Q Has the Comptroller of the Currency ever denied a bank merger on the grounds that it would eliminate competition?

MR. REYCRAFT: Excuse me.

THE COURT: Yes, read the question.

[1980] (Question read.)

A I believe the merger of the Connecticut National —or the—I'm sorry—the Canton National Bank and the First National Bank of Canton, Ohio was denied on competitive grounds, but it's been a long time since I have seen the opinion.

Q Can you name any others?

A I do not, and have not—ever had the access to the files on other banks in other regions.

Q None from your region as long as you have been here, is that right?

A That is correct.

[1981] BY MR. CLARK:

Q Are you aware of the Comptroller's policy that he will vigorously defend any suit brought against a merger which he approves?

A I know the Comptroller feels that way. He also feels that his decisions are correct.

Q It is his policy, then, to vigorously defend as intervenor in every suit which is brought?

A I presume that's his policy, based upon the record. I do know that he will defend his merger decisions.

Q Mr. Donovan, you are familiar, aren't you, with a de novo branch application, what it requires?

A Yes, sir, I am.

Q Does the de novo branch application require that the applicant give a specific address at which the new branch will be located?

A No, it does not.

Q It does not?

A It does not.

Q I have P-111. I just picked one out of our files. Perhaps you ought to take a look at that.

Doesn't it require a street address?

A The application form indicates a block for street address; however, it is the policy to accept a branch [1982] application for a more general area than a specific street address, and I suggest that in the event of—an intersection, if a bank has not been successful in picking—in pinning down a specific site and to protect their businessman's edge in not disclosing to potential sellers or lessors that—

THE COURT: You see, I think the question is, Mr. Donovan, does the application ask for a street address. Can't you answer that yes or no?

THE WITNESS: The application asks for a street address.

THE COURT: All right.

THE WITNESS: But we don't require it, sir.

THE COURT: He did not ask you if it is required for approval. He just said does it contain a block or a space for street address.

The answer is yes. Go ahead, Mr. Clark.

BY MR. CLARK:

Q You do like to know, though, don't you, then, as specifically as possible, where that office is going to be located?

A That is correct.

Q Does the application also ask the applicant to describe the service area of the proposed branch?

[1983] A The application does not request the—a description of the service area. It's contained in the supporting economic data.

Q The applicants do, always, don't they, tell you the area which they expect to serve by that branch?

A That is correct.

Q That area which they expect to serve can be either large or small, can't it? It depends on what their own assessment of their branch is?

A The instructions on the summary of information form state that it should be that geographic area in which they expect to obtain 75 percent of the business, their deposit and loan business.

Q So that need not necessarily conform to town boundaries, need it?

A That is correct.

Q In fact, in most applications which are filed, the service areas which are described are not simply towns; isn't that right?

A That is correct. Generally they're substantially less than a town.

Q Sometimes they are larger, aren't they?

A In some portions of the country, they are, yes.

Q Does the application then ask for the population

[1984] which is found within the proposed service area of the branch?

A It asks for an estimate of the population within the proposed service area, yes.

Q If the proposed service area is not coterminous with town boundaries, is it possible to compute from the application the population per bank office within that service area?

A Not from the application. From the supporting information it is sometimes possible.

Q Of course, it is possible for you to do it? I mean you can go to published sources and get the information, can't you? If it is not in the application, you can—

A That is—that is correct. Well, I mean we're talking two documents here. You are talking an application

form and then the supporting information. It is not in the application form but it is in the summary.

Q The summary gives the population in the expected service area, doesn't it?

A That is correct.

Q If the expected service area is not a town, then you cannot use the summary to put population per bank office by town, can you?

A That is correct.

[1985] Q Yet that is the only measure which you used in your testimony, isn't it?

A That is the one measure that I was looking at when I studied these towns in these three counties.

Q Other things which applicants—

THE COURT: Maybe we should get that straightened out a little bit, Mr. Donovan.

Is it proper for me to interpret your testimony this morning as follows: that looking at the towns you were asked to look at and with respect to those towns that you said it was highly improbable that you, personally, would approve a de novo branch by either one of these defendants, you did look to the factor of population only?

I gathered from that that if the population ratio was satisfactory, you would then go on to look at management, capital assets and the other four or five factors, but that you were expressing an opinion this morning that population alone, all other things being equal, would be enough to support a denial.

Am I correct on that?

I think you mentioned a town, and you said there were only 1200 people there, "It is highly [1986] improbable that I would permit a branch and almost impossible that I'd ever approve two branches." I took that to mean that you took the standard of population, and, if it violated that standard, the de novo branch application was in real trouble, even assuming that all the other standards were fulfilled.

Am I—

THE WITNESS: That was not my intention, your Honor.

THE COURT: All right. What did you intend to convey with respect to this population test this morning?

THE WITNESS: Both yesterday and today I was—I've been trying to show that there is a balancing of factors, but on the—the test of population per banking office, which many people regard as a crude proxy of the available business there, that if it was substantially below the average, then some of these other factors would have to outweigh it, and that in a—in the hypothetical of a town with 1200 population with no bank, I stated—or I believe I was consistent in stating that you may allow one entrant there; [1987] it would make it a protracted period, relatively speaking, to become profitable. But I would be reluctant to let more than one there or to recommend approval that more than one enter.

THE COURT: Based on the population factor alone?

THE WITNESS: Based upon the population factor alone, yes, sir.

THE COURT: All right.

MR. CLARK: If I may interject here, your Honor, it does seem to me that we ought to be curious, then, if this is such an important factor, why he has denied or the Comptroller has denied about one-tenth of all applications in the past six years. How important is this statewide average if most of these applications have been approved?

THE COURT: My curiosity extends only, though, to your cross-examination, not to 91 other files, so why don't you get to your cross-examination on the point. I would be interested to see what he has to say about it, and then let's see if the 91 files become relevant. But my curiosity right now does not extend that far.

[1988] BY MR. CLARK:

Q Mr. Donovan, did you think to inquire into the past and find out how many times the Comptroller has approved branch applications into towns which would result in the lowering of the population per branch office ratio below the state average?

A No, I did not.

Q You did not inquire as to how significant that was in the past, and yet that is almost the sole basis for your testimony today?

A I did not inquire into what happened in the past.

Q You do not know, really, then, how significant that factor has been in the past, do you, as to applications in this state?

A As I testified, that is one subconsideration of the five or six major considerations we make on each application.

Q How do you know that, Mr. Donovan, if you did not bother to go back into the applications which you have worked on and which others have worked on and find out how important it is?

A At the time I was working on the application, I presumed I considered it. I did not go back and study it in each specific case.

[1989] Q I see here intervenor's answers to plaintiff's interrogatories, and they have a list of branch applications denied since January 1, 1966. They have eight here.

The first one is Connecticut National Bank's application in Prospect, denied October 10, 1966. Do you know whether or not the population per bank office ratio in that town was the factor which led to the denial of that application?

A No, I do not.

Q Do you know whether or not Connecticut National Bank subsequently applied for approval again for a branch in Prospect six months later and got approval?

A I presume you aren't misleading me, so I'll—

Q All right, that was a fact.

But that did not enter into your considerations, did it?

A It did not enter into my study, no.

Q The next on the list is Hamden National Bank, application into West Haven, application date May of 1966. You already testified that West Haven's population per bank office average is above the state average, so I assume that was not a factor in that denial; was it?

A That was not a factor at that time in that case.

Q Neither was Connecticut National Bank's [1990] application into West Haven in 1967, was it?

A I believe it was not.

Q How about Waterbury National Bank's application into Middlebury, February 16, 1967? Do you know how important the population per bank office ratio was in that application?

A No, I do not.

Q You do not know how important it was in Hartford National Bank's application into Madison in 1968?

A No, I do not.

Q North Haven National Bank's application into East Haven in 1968?

A Do you have the date on that East Haven application?

Q Application date, April 26, 1968.

A No, I do not know that one.

Q In fact, the population per bank office ratio in East Haven is higher than the state average, isn't it?

A I'll take your word for it. I could find it here.

Q I think you testified to that yesterday.

Let's just run out the string here:

Lincoln National Bank, in August of 1968, application into Stamford. Was that a factor?

A It was not a factor in that specific case.

Q Then we have a reapplication—

[1991] A No.

Q Let's see. I have two. Apparently they made application for two branches at the same time.

A Two locations, and the population per banking office was not considered. They were—

Q All right.

MR. CLARK: Your Honor, I would like to mark for identification this intervenor's answer to plaintiff's interrogatory 3, which does contain a list of all branch applications and charter applications denied since 1966, and it also contains a lengthy discussion of the procedures which the Comptroller employs in investigation of these applications.

THE COURT: Do you want the whole thing in?

MR. CLARK: Yes, sir.

THE COURT: Full exhibit.

MR. CLARK: That is 128.

[1992] MR. McENERNEY: Might I ask, since we have been hit with two sets of interrogatories, I want to be sure we have the right one.

MR. CLARK: That's set one, I think, number three.

MR. McENERNEY: Does it start on Page 4? Is that the one?

MR. CLARK: Well, yes, really, the interrogatories does.

MR. McENERNEY: All right.

Q Applications for new branch offices, often list the number of industries in an area, don't they?

A That is correct.

Q And that is a factor which you consider to be relevant when you consider such an application?

A It is one of the factors considered, yes. It is relevant to the—

Q You didn't consider the existing industries in any town which you testified to yesterday and today, did you?

A No, as I have testified, I was making my study solely on the population per banking office.

Q Applications for de novo branches and charter often have a list of businesses, commercial firms within the proposed service area, don't they?

[1993] A That is correct.

Q And that's—that's a relevant factor, isn't it?

A It is a relevant factor.

Q And you didn't consider any business operations in any town on which you testified, have you?

A No, as I testified, my study of those towns was solely to make a proforma projection of the population per banking office given one or two entrants.

Q All right. Without going through that—that little rigmarole every time, I just want to list some of the other factors that are often contained in application and ask you whether or not you consider them to be relevant in considering such an application.

The nature of an area such as whether it is residen-

tial or commercial or industrial, is that a relevant factor?

A That is a relevant factor.

Q Whether or not there are new shopping centers being constructed in an area?

A That is a relevant factor, yes.

Q The personal income per capita income of the individuals residing within an area?

A That is a relevant factor.

Q New industry expected in an area?

A That is a relevant factor.

[1994] Q Traffic patterns in the area of the proposed branch?

A That is relevant.

Q New residential construction?

A That is relevant.

Q Employment in the area?

A That is relevant.

Q The existing deposits which the applicant already has in this area?

A That is relevant.

Q A projection of income and expenses of a branch by the applicant?

A That is relevant.

Q Internal factors relating to the applicant, such as capital strength?

A That is relevant.

Q Management strength?

A That is relevant.

Q Character of the board of directors?

A That is relevant.

Q Now, after an application is received, you do conduct a field examination, don't you, that is: your office?

A That is correct.

Q And he may spend up to three days doing this?

A That is correct.

[1995] Q What does he do when he conducts this investigation?

A Well, again, it is to verify the data in support of the application that the applicant has submitted.

The examiner also goes down to the proposed branch

site and market area, and he will also interview competitor banks, and in general see that what the applicant has said in his application is reasonably factual. He'll review the earnings records of the bank, either at the bank or from our examination report.

Q You conduct—or had conducted no such investigation, did you, in connection with your testimony here?

A No, I did not.

Q Your office also permits banks in an area to be affected by a new bank or branch to submit their views regarding the applications?

A Yes, we do.

Q And, of course, you did nothing of that kind in connection with your testimony, did you?

A This morning?

Q Yes.

A No, sir, I did not.

Q And, of course, I think you already testified that examiner's report is submitted and you make your recommendations to Washington and so on?

[1996] A That is correct, yes.

Q Are there hearings which are sometimes held as a result of a branch application or a new bank application?

A We have conducted hearings on branch applications. During my tenure, I don't believe we held any on new charters.

Q That is: you conducted some at your office or down at Washington?

A That is correct. In the regional office, and it is a —it is available for both charter and branch applications.

Q And is there testimony given by interested parties at these hearings?

A Yes. The testimony is not sworn. The hearing procedures are in 12 Code of Federal Regulations, Part 5.

Q And there may also be hearings in Washington, might there be?

A I don't know the answer to that, Mr. Clark.

Q Mr. Donovan, you testified that the sale of at least

two or three branches in the four-town area would have a procompetitive effect?

THE COURT: Mr. Clark, is this going on to another topic?

MR. CLARK: Yes, sir.

THE COURT: I think it is a good time for us to recess for the night. I might just add, because for [1997] the time you seemed so strong in your position about obtaining evidence that you consider important, and insistent on a position that you feel may be important to your case, I might just say that I have thought over my ruling with respect to these 91 files, and I assume we are off the cross examination on the point, and my ruling will be the same, without ruling on the privilege, I still think the 91 files and their production would be irrelevant, and, of course, I forgot the obvious reason, is that it is an independent evidence based on a collateral issue which would be inadmissible, anyway; and thirdly, I just want to say this without prejudging the weight to that particular question that's been raised, I think there is enough now in the record for me to weigh the particular testimony that you are concerned about. I have no idea how I will weigh it—or I should say I have no idea on what weight I will give it, but I now feel satisfied there is enough in the record for me to weigh it. So an additional reason is that the Court feels that the scope of examination has been sufficient without the production of the 91 files. Now recess until tomorrow morning at 10:30.

(Court adjourned at 3:50 p.m.)

[1998]

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF CONNECTICUT

Civil Action No. 14,583

UNITED STATES OF AMERICA, PLAINTIFF

vs.

THE CONNECTICUT NATIONAL BANK and THE FIRST NEW HAVEN NATIONAL BANK, DEFENDANTS

and

WILLIAM B. CAMP, COMPTROLLER OF THE CURRENCY, INTERVENOR

United States Court House
915 Lafayette Boulevard
Bridgeport, Connecticut
November 9, 1972

Before:

Hon. ROBERT C. ZAMPANO, U.S.D.J.

[1999] Appearances:

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By: CHARLES H. McENERNEY, JR., Trial Attorney
FORD BARRETT, Trial Attorney

[2000] THE COURT: Are the parties ready to proceed?

JOHN L. DONOVAN, having been previously duly sworn, resumed and testified further as follows:

CROSS EXAMINATION CONTINUED

BY MR. CLARK:

A Mr. Clark, before we continue, I'd like the opportunity to clarify an answer I made to you yesterday.

Q Go right ahead.

A In response to your questions, I stated that no one in my office had submitted memorandum or other written advice to me on the application. That was the gist of what I said.

Knowing that the Court had ordered Mr. McEnerney to submit copies of the reports of examiner Veronneau and myself, I looked up my own copies of them. The copy of my letter indicates that it was prepared for me by the Deputy Regional Administrator Ralph W. Gridley. However, obviously, Mr. Gridley had access to the file and had reviewed the file in addition to myself.

However, I signed the letter, and it expresses my opinion and my recommendation on the application.

Q Did you review the reports that were submitted? Veronneau's report, for example?

A At the time we forwarded a recommendation to Washington?

[2001] Q Yes.

A Very definitely, yes.

Q Mr. Donovan, on direct you testified, I believe, that the—there would be a beneficial effect from the sale of certain offices in the Milford-Ansonia-Derby-Orange area?

A That is correct.

Q What would be—would you elaborate on that? What would be the beneficial effect?

A Well, I think the primary beneficial effect would be the introduction of both the Hartford National Bank and the Connecticut Bank and Trust Company into the Milford and Derby areas. I think the—I think the fact that they're selling the Orange branch to a newly chartered state bank will not be as—will not be as beneficial due to the fact that the new banks will just not have as much capacity as the two larger institutions.

Q All right.

A The banks are not presently represented there, and they will now be represented there.

Q It will have a procompetitive effect, then, is that correct?

A In my opinion, it will, yes.

Q Did you also consider the fact that the defendants are offering to sell three more offices in this area to other banks?

[2002] A In preparation for my testimony?

Q Yes.

A I have heard that, and if that sale was consummated, yes, I think it would again, depending upon the purchasers, have a greater or a lesser degree of—of effect on the procompetitive aspects.

Q You are testifying, then, that the larger the new entrant, the more effective it is in competing in this new market, is that correct?

A That's it basically. I feel that a larger entrant obviously can offer a broader range of services to the public. It has the ability to attract the management and expertise to provide these services.

Q If the sale is to a national bank, isn't it true that the Comptroller of the Currency will have to approve it under the applicable laws?

A That is correct. They'd have to make an application. A national bank.

Q And it would go through your office, I assume, and be subject to the same procedures that are customarily employed in either a branch application or a merger application?

A Those procedures would be reviewed, that's correct.

Q Well, when you testified as to the beneficial effects from these sales, did you consider the effect that these new [2003] entries would have on the population per banking office in these towns?

A I did not consider it directly, as I testified, because in a sense that would be cooperating with the—the population per banking office measures just the number of offices there, it does not necessarily reflect the population per bank represented.

Q And—

A So that the introduction of—there are no new offices created in those towns, but new banks are entered —introduced into them.

Q So the only factor which you consider, then, is the number of offices and not the number of banks, is that correct?

A On the population per banking office, that is correct, yes.

Q As you are probably aware, the Hartford banks have entered—well, let's take New Haven—through merger, haven't they?

A That is correct.

Q And one of these was a national bank, Hartford National Bank acquired a bank in New Haven, is that correct?

A That is correct.

Q Did your office review that merger application?

A Yes, we did.

[2004] Q Did you recommend approval of the application?

A You don't happen to have the date? I believe that was 19—

Q It's about—

A —'70 or '71, wasn't it?

Q 1969 or '70, I think. Around there.

A I can't remember right now when the application was submitted, but if it was submitted while I was Regional Administrator, obviously, I reviewed the application, and—but I don't remember the exact date of its submission.

Q Well, let's see. How—when did you become Regional Comptroller?

A In July of 1969.

Q If you will find that date, because I'm interested in it.

A I seem to recall it was 1970, but I can't—

Q Well, the date of acquisition is dated October 30th, 1970.

A Then, if—the normal time frames are involved I would have acted on the application, and I presume that I recommended approval of the application.

Q You don't recall, then, whether or not you were concerned at all about the risks to solvency to any bank in New Haven as a result of this acquisition?

A I do not recall exactly, but normally, those are [2005] considered, yes.

Q Do you recall that you had a concern about it, that you felt that the merger might entail some risk of this kind?

A I do not recall that.

Q Do you recall whether or not you considered those mergers to be procompetitive or anticompetitive?

A I would—I do not recall.

Q When banks apply for a merger and that merger is not to be approved by the Comptroller of the Currency, but by some other banking agency, does your office nevertheless conduct an investigation or reach any conclusion of such merger?

A As required by the statute, we're required to submit what we call a competitive report to the agency which has jurisdiction over the merger.

Q Well, does your office participate in that?

A We conduct a field investigation, yes.

Q Did you conduct an investigation involving the proposed merger of Connecticut Bank and Trust and Trademen's National Bank of New Haven in 1969?

A The office would have conducted a competitive investigation, that's correct.

Q Do you recall whether you or your office recommended approval?

A I do not recall that, no.

[2006] Q And you don't recall whether or not you had any—or you or your office had any misgivings about the competitive effects of that merger?

A I do not recall, no, sir.

[2007] BY MR. CLARK:

Q You testified on direct that it was your opinion that the effect of the merger in the area where both banks operate offices—namely, Orange, Milford, Ansonia, Derby—was not significant, that it was not anticompetitive; am I correct?

A I don't know if—if I said—I think I used the term "significant," that I did not consider it—that they were significant competitors. I think when you look at the over-all size of the banks, the amount of business they have there is relatively small.

Q Is that the factor you used, comparison of the amount of business derived from that area compared to the total bank?

A Yes, sir, that's what I used.

Q Did you consider the total amount of business drawn by all banks having offices within this area?

A I believe I would have looked at the banks represented in the area and—

Q Do you recall whether or not you attempted to compute concentration ratios showing the shares of business held by the banks operating in that area?

A I know I did not compute concentration ratios.

Q I would like to show you Exhibit P-63.

[2008] I assume you have not seen that before; have you?

A No, I have not.

Q P-63 does attempt to arrive at a concentration measure showing total deposits held by those offices within that area, and you will see on the right-hand column, Mr. Donovan, that the two banks combined, using this method, at least, hold some 58.3 percent of the total deposits in that area.

How would you characterize that share?

MR. REYCRAFT: Your Honor, I object. The government's own witness—the only witness he called to testify on this subject—said that the four-town area was not a market, and to talk about concentration ratios in some area that is not a market is quite misleading, I think, on the record.

THE COURT: Objection is overruled.

THE WITNESS: May I have the question again, please?

(The pending question was read by the reporter as above recorded.)

A Well, the fact that there are seven or eight existing competitors in the area—I can't say that I consider 58 percent a significant concentration. I do know from what little reading I have done that banking tends to be [2009] a concentrated industry due to the fact that it's regulated and that—I have seen concentration ratios for other cities that are substantially in excess of that, and to me 58 percent does not seem concentrated, when you look at the number of alternate choices available and the size of some of those alternate choices.

Q There are no alternate choices, are there, that are any larger than these two banks?

A Well, State National Bank of Connecticut is in Milford and Ansonia. Their—State National is presently larger than—no, they're—I'm sorry, they're not larger. But they're about the same size.

Union Trust is—has an office in—in Ansonia. They are larger than the Connecticut National.

City National is—has an office in Milford.

Connecticut Bank & Trust had just opened an office at the time these figures were compiled.

Q In any event—

A So—

Q Go ahead.

A —I feel that I'd have to state that I think those—those banks are of sufficient size to compete.

Q So you do not consider the 58 percent market share to be held by the resulting bank to be a significant increase [2010] in concentration, assuming that those concentration ratios are accurately portrayed?

A Well. I'm—I do not consider it significant, and then, furthermore, they have indicated that they're willing to sell off some of this business, which would dilute it, so it would just substantiate my statement that I don't consider it significant.

Q I am not referring now to their offer to sell.

A I'm sorry.

Q That is all right.

I am referring to the facts as they exist now. I am simply trying to get at the basis of your conclusions. All right.

If 58 percent is nonsignificant, is this consistent with the standards which you usually apply as Regional Administrator when you evaluate mergers between existing competitors?

A Yes, it is consistent, I'd say reasonably consistent. I tend to look at Connecticut, since all the available statistics are for Connecticut as a whole, as a—that I have access to—as a real market, with the over-riding fact that the Home Office Protection kind of destroys some of its concepts. But, to be frank, I looked at the concentration of these two banks against the market—[2011] against the state as a whole.

Q That is the only concentration which you considered; is that correct?

A That's the only concentration in Connecticut that I feel is valid.

Q You think that is valid in evaluating any mergers between two Connecticut banks?

A I think it's the most significant one, yes, sir.

Q So whenever you have a merger between two Connecticut banks, you will always go to total statewide concentration; is that right?

A That is the data that is available to me, which comes from the FDIC, and they only report data for the state as a whole; they say any other breakdown would be insignificant.

Q And that is what you considered?

A That is what I use, yes, sir.

Q You testified on direct that a major reason for your recommendation of approval for this consolidation was the need for the defendants to become comparable in size to the Hartford banks.

Is that—

A I don't know if I used the word "comparable," but I thought I said that it would give them the capacity to be a [2012] more effective competitor.

Q Is that the most important factor to you in this merger?

A I think it is, again going back to the fact that it's the state in my opinion that's the market here, and it's the State of Connecticut and the people in Connecticut that are going to benefit from this, that that was why I thought that a larger competitor against the Hartford banks would be—would be beneficial.

Q Did you indicate that in your report to the Comptroller of the Currency?

A No, I did not. I—

Q You are familiar, aren't you, with the Comptroller's decision in this case?

A That is correct.

Q Can you state whether or not it appears from that decision that the Comptroller appeared to give much weight to this factor of size vis-a-vis the Hartford banks?

A It is—from reviewing the merger opinion, that—that he did include it—he took this into consideration.

Q Do you think it is a very important consideration to him?

A I think it's probably the most important consideration to him.

[2013] Q Let me read from the entire last paragraph of his opinion, which seems to me to be a summation of his opinion:

"It is well documented that out-of-state banks, particularly those located in New York and Boston, largely finance the industrial development in Connecticut and drain the banking profits from the state. The only method open to applicants to compete with those banks is to consolidate their resources, raise their lending limits, and provide the sophisticated banking services demanded by industrial and commercial customers. De novo branching, even if it were feasible, would not serve this purpose. Smaller consolidations, likewise, would not result in the aggregation of resources sufficiently large to finance the requirements of the large corporations that are located in Fairfield and New Haven Counties. The banking structure in southwest Connecticut, together with the proximity of the New York banks, poses a unique situation in which the applicants are likely to be uninvolved bystanders as their corporate markets are taken over by out-of-state banks which already have the resources to conduct banking business on the large scale today's economy demands."

I do not see reference in there, Mr. Donovan, to the Hartford banks?

A Well, I never—I believe you stated that it was your opinion that that was his conclusion. I was looking [2014] on page 2, in the second complete paragraph, down where the Comptroller states that "to compete more effectively with the larger statewide Connecticut banks and with the out-of-state banks." I think you have to take the document as a whole.

Q All right. That is the only reference, isn't it, in that entire six-page document, to competition with the two Hartford banks?

A I believe you are correct, yes.

Q You testified that the resulting bank might be able

to offer new services to certain corporate customers and that that would be a beneficial effect from the merger?

A I don't believe that I used the term "new." I believe I used "expanded" and a broader range of the services they're presently offering.

Q Did you include that in your report to the Comptroller of the Currency?

A It was included in the—in Examiner Veronneau's report, yes.

Q It was not in yours, however?

A My report merely concurred with the findings of Examiner Veronneau and forwarded the two of them to Washington. Examiner Veronneau is a senior national bank examiner. He has been located in Connecticut since 1955. [2015] When the investigating examiner does a superior job, like Mr. Veronneau did in this case, I merely concur and forward.

Q Did you make any investigation or have any investigation made as to the need for these services, expanded services, in any area affected by the merger?

A We did not make an investigation on that specific aspect.

Q You interviewed no bank customers, did you, to determine their desires or needs on this subject?

A We did not interview.

Q Did you make any effort to determine why the defendants are not now offering any of these expanded services which you refer to?

A No, I did not.

Q Did you make any effort to determine if it would be possible for the defendants to offer these expanded services without this merger?

A I did not make an investigation to determine that, no.

Q You testified yesterday that the defendants appeared to have remained within what you consider to be their service areas and that they have not expanded geographically?

Perhaps I have not characterized it correctly. Do [2016] you want to state again what you consider to

be significant about the areas within which these two banks operate?

A Well, I believe I testified that I felt that they were, within their respective areas—they were each a viable competitor, but, in essence, they had remained fairly close to home; they had not gone too far out of the immediate vicinity of their head offices. In New Haven's case they had not gone outside New Haven County. In Connecticut National's case they had not gone out—they had not gone that far outside of Fairfield County; the majority of their offices are in Fairfield County.

Q Did you consider in your preparation for that testimony that First New Haven had made a decision to expand in an eastern direction into Middlesex County?

A I was not aware of that, no, sir.

Q When considering Connecticut National Bank's expansion, how far back did you go? How many years?

A Well, I—I believe I looked at our branch cards that show the opening dates of the branches, and—but I guess I would really have to say that I only looked back within the last ten years or so.

Q Were you aware of the fact that—

A Although I—I paid more attention to the location of the branches, rather than to the time they were opened.

[2017] Q Were you aware of the fact that in the not too distant past, fifteen years ago, Connecticut National Bank operated only one office that was outside of the Bridgeport SMSA?

A Well, I'll have to take your word for that, because I did not consider the SMSA as a—I probably could not even tell you what is the Bridgeport SMSA.

Q Did you know that in the past fifteen years CNB had expanded into such other areas as Stamford and Danbury and—

A I was aware of the Stamford.

Q And Danbury?

A And Danbury, I believe I was.

Q And New Milford?

A I was aware of New Milford, yes, sir.

Q And Waterbury?

A I was aware of Waterbury, yes.

Q So it is true, isn't it, that within this time period CNB has significantly expanded the geographic area within which it operates?

A Well, if I believe correctly, I think the farthest Connecticut National branch is 32 miles from their head office. I do not consider that that significant.

Q How far is New Haven from Bridgeport?

[2018] A I believe it's somewhere around 30. It takes 45 minutes to get here.

Q I believe it is somewhat less, but, you know, without quibbling on that, it is certainly within the 32-mile radius which you have spoken about; isn't it?

A I would believe so, yes, sir.

Q In your report to the Comptroller of the Currency on this consolidation, did you consider the subject of potential competition?

A I do not believe we touched on that in the report, no.

Q You did not consider the potential, then, that the defendants would in the future come into more significant competition with each other?

A No, we did not.

Q So I assume that you did not consider at that time any of the factors which you have testified here this week relating to the effect of the new entry on population per bank office?

A I did not consider that in preparation for my study. I merely looked at their records at the time we had the merger under consideration, and at that time they had not gone into these towns. I am—I have a reasonable degree of knowledge of where these towns were located, these [2019] other towns. I think you immediately have to ignore the closed towns and—

Q All right. I was speaking, however, with reference to your analysis of the merger preceding their report to the Comptroller of the Currency.

You testified that you did not consider potential competition at that time, did you?

A No, I did not.

Q And you did not consider at that time, then, the

effect of new entry on population per banking office in any of the towns which you referred to this week; did you?

A No, I did not, not specifically.

Q Did you consider the financial condition of the defendants at the time?

A Yes, we did.

Q Did you consider the financial condition of Connecticut National Bank to be good?

A They have a good condition, yes.

Q And First New Haven?

A They have a good condition.

Q Are these two banks adequately capitalized?

A In my opinion, they are adequately capitalized.

Q Has their earnings performance been good?

A I would say that they are—the First New Haven [2020] was the better earner, but—

Q But?

A —but look back over the last several years, I compared to—to regional averages or—Connecticut National's seems, on their averages, to be either right under or more than under the average, so I would—I would say that Connecticut National's were less than average.

Q First New Haven's was better than average?

A Yes, above average, yes.

Q Do you consider the management of these two banks to be capable?

A I think the management of both banks is capable and conservative.

MR. CLARK: I have no further questions, your Honor.

THE COURT: Mr. McEnerney.

[2021] REDIRECT EXAMINATION

BY MR. McENERNEY:

Q Mr. Donovan, I just have one question. In your direct examination, in response to a question whether you felt that the two banks, that is: Connecticut National and First New Haven, strongly competed outside of the area where they have branches, on Page 1820, you made

the following answer: "I do not feel that they are significant competitors in the balance of the State of Connecticut. I think in their own particular areas, which would be primarily the Bridgeport and New Haven area, that they are strong competitors, but they do not compete in other parts of Connecticut, no."

My question is this: Did you intend to mean by that that these two banks compete strongly with each other?

A No, what I—maybe I misunderstood the question, but what I was attempting to say, that within New Haven County I feel that the First New Haven is an effective competitor with the banks represented there.

Q What about with respect to Connecticut National?

A With respect to Connecticut National, I think they are an effective competitor with the banks represented there. I did not mean to give the impression that it was my opinion that they were competing with one another in the respective territories.

[2022] MR. McENERNEY: Your Honor, I wonder if this would be an appropriate time, we had a discussion yesterday on these two documents, Mr. Donovan's recommendation to the Comptroller and Mr. Veronneau's report, and I wonder if I might put these in after having the witness identify them as exhibits?

THE COURT: Have you shown them to Mr. Clark?

MR. McENERNEY: Yes, I have.

THE COURT: Any objection?

MR. CLARK: I have no objection to Mr. Donovan's report. Mr. Veronneau is not here and I can't cross examine him, and while there are all kinds of conclusions in there that I might be interested in, I simply don't think it is competent evidence, so I object on that ground.

MR. McENERNEY: There was a big thing made out of it yesterday. I really had a—

THE COURT: Well, a so-called big thing was made out of it for examination and discovery, but particularly to have it introduced into evidence. I will certainly take Mr. Donovan's report.

MR. REYCRAFT: May I comment, your Honor?

THE COURT: Yes.

MR. REYCRAFT: It seems to me Mr. Donovan's

[2023] letter of recommending forwarding the report indicates he relies on this, and that's the basis of his conclusion as stated here, it is an official record of the Comptroller's office, and it was before the Comptroller before he approved the merger.

THE COURT: In ruling on the objection, one of the thoughts that came to mind was that Mr. Donovan has made clear that he adopted and concurred in the Veronneau report; and second thought, and you put your fingers right on it, these are official records kept in the ordinary course of business of your office, are they not?

THE WITNESS: Well, these are kept in Washington, your Honor.

THE COURT: Well, in the offices of the Comptroller?

THE WITNESS: That is correct, yes.

THE COURT: Yes.

Objection is overruled for the reasons stated. I will take both documents, one absent objection, one over objection.

MR. McENERNEY: That's all I have, your Honor.

THE COURT: Mr.—

MR. REYCRAFT: Yes, sir, I have a few questions.

[2024] RECROSS EXAMINATION

BY MR. REYCRAFT:

Q Mr. Clark asked you a number of questions about Plaintiff's Exhibit No. 63. When he asked you those questions were you aware of the fact that no witness in this case has testified that the four-town area is a relevant banking market?

A No.

Q And were you aware of the fact this exhibit was apparently prepared by Mr. Clark himself, as far as the record shows?

A I was not aware other than the objection you voiced, that one witness did not testify to it as a relevant market, but I was not aware that no one testified that way.

Q Would you look at the last page listed on P-63, which is Connecticut Bank and Trust Company, and would you look at the far right-hand column, which shows percentage of total deposits?

What does it show for Connecticut Bank and Trust Company?

A The area's blank for both.

Q From which one would infer they have zero business in the four-town area, is that the way you would understand it?

A Well, if one looked at it, yes, that's the way it would look.

[2025] Q And what does it indicate on the far right-hand column for Orange National Bank?

A 6.7%.

Q So that, if I remember my mathematics that means that the Orange National Bank is an infinitely larger competitor than the Connecticut Bank and Trust Company in that so-called market. But even if it had 1%, it would be 6.7 times as large, does that seem reasonable to you?

A No, it does not.

Q The Union Trust Company is shown, I believe, with 11.5%, now, also—well, that indicates it is a smaller competitor than Second National Bank in this claimed four-town market, does that seem to you a reasonable index of the relative competitive strengths of these two banks?

A Not in my opinion.

Q And it shows that First New Haven National Bank is twice as large a competitor as Connecticut National Bank in this four-town area, does this seem to you to be a reasonable index of the relative competitive strengths of these two banks?

A In my opinion, it does not.

Q And the title of the exhibit, which also apparently came from Mr. Clark, is: Commercial Banks Operating in Orange, Milford, Ansonia and Derby. Does it seem reasonable to you that no bank other than those which have offices in this [2026] four-town area operates in that area by way of having some business from it?

A It is not a reasonable conclusion. I know others do business down there. But I presume from reading that that it is just those that have offices there.

MR. REYCRAFT: That's all, your Honor.

THE COURT: Recross?

RECROSS EXAMINATION

BY MR. CLARK:

Q Mr. Donovan, let's stick with P-63. Doesn't that document also show that these two banks operate more offices in this area than any other bank?

A Each has more offices than anyone else, that is correct.

Q And that after the merger, if it is approved, they will hold together almost 50%, am I not correct?

A If the merger was consummated as the banks are presently constituted, that is correct.

Q And if you were attempting to assess the competitive effect of a merger in any area, you would look to see how well represented those banks are in that area, wouldn't you?

A I don't think I understand your question. Could you give it to me again?

Q All right. Is the coverage that a bank has in a [2027] particular area that you are looking at the number of offices and their location a factor to you when you try to assess the competitive strength of that bank in the area?

A It is one of the things that is considered, yes.

Q And if there were, in fact, customers in this area who did business with offices outside the area, that would also be a factor, wouldn't it?

A Yes. It would.

Q And would you also be interested in looking at the number and location of offices located in the peripheral area around this four-town area to see what type of representation these banks had there?

A Well, as I stated, I believe on cross examination before, that I did not look at this four-town area specifically. This is the first chance I have had to see these figures. What I was considering was the State of Connecticut as the market area for these two banks and where they were attempting to compete, and I—to be honest with you, Mr. Clark, I still maintain that position.

Q All right—

A And I wouldn't want to judge on these figures and this data.

Q All right. But you have given some answers on redirect that I would like to clarify. If it is the case that customers [2028] located within this four-town area may do some business with banks outside the four-town area, then, you would want to consider the relative competitive strength of the banks in the surrounding towns, wouldn't you?

A Well, that would be a possible consideration, yes. If you wanted to fractionalize everything down to that fine—

Q And the relative strengths of the two defendants in the surrounding towns might also be a factor in—if you did decide to make a decision on a fractionalized area, would it not?

A It could be, yes.

MR. CLARK: I have no further questions, your Honor.

MR. McENERNEY: I have nothing further.

THE COURT: Mr. Reycraft?

Mr. Donovan, could you in a nutshell give me a brief history of the growth of banking in Connecticut over the last 20 years? I assume you don't have personal knowledge of this, but you certainly have your eye on this State, and from whatever sources you may rely on, can you answer that question?

THE WITNESS: Well, I could maybe shed some light on it, your Honor. I think that like banking in general there has been a consolidation of offices in [2029] Connecticut over the last 20 years due to several reasons. The managements of some of these small banks grow older and they're—rather than pass the mantel on to the

officers in the bank, they go out and well to a larger institution to get the management.

There is also the—the shareholder interest there, that they also try to, as we say, liquify the estate, that the larger bank stock is generally more salable than the smaller bank stock.

I think that the Connecticut statute in this case has a very real impact on it, that for a competitor—or for a larger bank to obtain representation into a smaller market which is closed, the only way they can get in there is to make—is they buy the bank headquartered there, and this has a very definite impact. And I think this is why we have seen some of these smaller banks been merged out of existence.

However, on the other side, there seem to be a lot of people that would like to get into the banking business, and I just cite the relative number of applications that have been made to both regulator agencies.

THE COURT: Well, do you agree with the statement [2030] made by one of the experts in this case that for some years Connecticut's history in banking demonstrated that most banks had their own area, generally small, that the other banks really stayed out of the area and that what competition developed was competition within the area by area banks, that salesmen did not call and it was unthinkable that one—an officer of one bank would call on the—on an account of another bank, and then things started to change? There were several mergers, acquisitions, de novo branching by the two Hartford banks, and they became statewide banks. And then we see Union Trust growing, whether it has reached a level of statewide banking power, it certainly has the capacity. So now we find that other banks are looking to not only compete with the New York and Boston banks and with the Hartford banks, but to survive in the market effectively. That they also feel now that they should merge, and as a defensive move and as an offensive move.

Do you kind of agree with that banking history of Connecticut?

THE WITNESS: I think from my knowledge of it, that's a very apt description. I think part of the factor

was that the managements that came out of the depresion [2031] saw what could happen when they—everybody started knocking heads, and a lot of the chief executives in these banks were depression trained. In the larger banks they provided this continuity in management and they came in with the more aggressive younger management team, which all of a sudden the rules of the club were thrown out the window and we start picking on one another.

I think that's a very apt description.

THE COURT: In the Comptroller's report it states this: "Connecticut banks have been limited to a minor share in the State's growth."

And then in a footnote it says: "See opinion of the Comptroller dated April 14, 1969 with respect to the Connecticut Bank and Trust Company and the Connecticut National Bank, Bridgeport, Connecticut to merge."

Do you have that opinion?

THE WITNESS: It is on file in my office, sir, I don't have it here.

THE COURT: Is that going to be submitted? Because the Comptroller's report incorporates that by reference.

MR. McENERNEY: Your Honor, I would be happy to, [2032] I inadvertently overlooked that. I think that's a footnote, and I will be glad to supply that.

THE COURT: Now, do you agree with that statement that I just read to you?

THE WITNESS: I agree when you look—

THE COURT: What does it mean? Can you tell me what that means?

THE WITNESS: Well, it means, to me, that the result of these out-of-state banks, the New York banks calling and to a limited—lesser degree the Boston based banks calling on the Connecticut customers—that it—total available banking business in the State grew by one billion dollars as represented by the totals of Connecticut banks over a given period. That only represented a minor share of the total business in Connecticut, and I think that the—that the out-of-state banks benefited more from this change.

I know from my conversations with smaller bankers on—throughout the region that when—they're always reluctant to call in the major bank from out of state, or to participate in credit because they run the very real risk of having big brother take it over.

[2033] THE COURT: Then on Page 2 the Comptroller says: "Inasmuch as Connecticut statutes encourage statewide branching through mergers," et cetera. Do you know what that means? I know what it means. I mean do you know what he is referring to, what statutes?

THE WITNESS: No—the branching statute, your Honor, and I made reference to it earlier. I think that for a bank—well, for instance, for Connecticut National to get into Stamford, at the time they went in in 1970, the only way to do it was to buy that bank.

THE COURT: By acquisition, I see.

All right. All right.

THE WITNESS: And so they are willing to make it very attractive.

THE COURT: All right. Thank you very much, Mr. Donovan.

MR. CLARK: Your Honor, may I inquire from the witness just on one point?

THE COURT: By all means.

FURTHER CROSS EXAMINATION

BY MR. CLARK:

Q It was one of your last statements to the effect that you consider outside banks to be significant factors in this [2034] State. What is the foundation for that? What is your foundation for making that statement?

A Mr. Clark, this was where I first got in trouble up here. But—I have no numbers, but these bankers come to my office and in a sense bare their soul. For instance, a small Connecticut bank or a medium-sized Connecticut bank that needs a participant, if he looks to Hartford—I mean here—two guys that come down there and attract that business. So he's forced to go outside Connecticut to find, in quotes, "a neutral par-

ticipant", but he knows full well that that man's calling on those customers, also, and I think the cream, the national accounts, have been skimmed off the top, and they're down—to hear these guys talk, at least they're down working on the medium level business—but I have no numbers.

Q And I suppose the numbers would be what you would like to have if you really were going to make definitive decision on the effect of outside banks in this State, aren't they?

A Well, I believe these bankers are honest with me, and they're all honorable men, and I have no reason to doubt what they say.

Q No. But if they really wanted to find out, you would go to the numbers, I mean, wouldn't you? Isn't that what you would like to have to make an accurate assessment?

A Well, if I wanted to make an assessment, a very [2035] factual assessment, I would need the numbers, you are correct, Mr. Clark.

MR. CLARK: That's all I have, your Honor.

THE COURT: There was one question that I had. When we talk about banks that have statewide capabilities right now, both in your Comptroller's report and on the stand from you, which banks were you referring to, just the two Hartford banks, or did you put Union Trust in there, too?

THE WITNESS: Well, I would—I don't think I'd go down as deep as ten, as the Justice did in their arguments here, but you might take the first three or four as a possibility.

THE COURT: The two Hartford banks for sure?

THE WITNESS: Very definitely, your Honor.

THE COURT: How about Union Trust?

THE WITNESS: I think the Union Trust in New Haven is a very aggressive competitor and has probably—I think it could go statewide. It would take them a fairly long time if they did it strictly by de novo.

THE COURT: Who is fourth on the list?

THE WITNESS: These are figures of June 30. Fourth, I have Connecticut National in Bridgeport.

THE COURT: How do you view them? Or how do you [2036] view it as spreading statewide without this merger?

THE WITNESS: Well, it's about 40% of the—in size of the two largest ones, and I think you immediately have to shorten your sights. I don't think when you get down into four and five that you are—that it is—they're that meaningful on their own.

THE COURT: And, of course, therefore, you would put First New Haven even lower than that? Seventh?

THE WITNESS: They're seventh in the ten, and I don't think they can—in the second five and—no, I don't think that that there that—

THE COURT: They are what, seventh?

THE WITNESS: As of June 30th, they were eighth, your Honor.

THE COURT: All right. Anything further.

MR. CLARK: No.

MR. McENERNEY: No.

THE COURT: You are excused Mr. Donovan.

THE WITNESS: Thank you, sir.

(Witness excused.)

[2037] ROBERT J. BLINKEN, called as a witness, having first been duly sworn by the Clerk of the Court, was examined and testified as follows:

THE CLERK: Will you state your full name and address for the record, please?

THE WITNESS: Robert J. Blinken. 446 Blake Street, New Haven.

DIRECT EXAMINATION

BY MR. McENERNEY:

Q Mr. Blinken, what is your occupation?

A I'm the President of Mite Corporation.

Q And how long have you held that position?

A Since 1963.

Q And could you tell us where Mite Corporation is located?

A It's corporate offices are in New Haven and it operates in New Haven, Danbury, Farmington and several locations outside of Connecticut.

Q And could you tell us whether it is a manufacturer?

A It is principally a manufacturer and distributor of metal products.

Q And how many employees do you have?

A Approximately 1200.

Q And could you tell us your yearly sales?

[2038] A Slightly in excess of 30 million.

Q Could you tell us when the Mite Corporation was formed? Give us the general background.

A It was formed in 1961 through the merger of a company known as Teleprinter Corporation, which was a privately held company, and the Greist Manufacturing Company in New Haven.

Q Does your company presently have a banking relationship with First New Haven?

A We do.

Q And could you tell us when this relationship commenced?

A Well, the relationship existed between the Greist Company and First New Haven at the time that Mite Corporation was formed in 1961. The First New Haven at that time was one of several banks that the Greist Company had their relationships with.

During the period of time that I took over the presidency of the company we substantially consolidated all of our banking in First New Haven.

Q Were you borrowing money at that time from First New Haven?

A In the early '60's we were borrowing substantially.

Q Did there come a time when you outgrew their capacity to lend?

A Yes. That, essentially, took place in the late '60's.

[2039] Q Now, after you outgrew their capacity to lend, could you tell us where you—where you went to have this need serviced?

A Well, we initially established a relationship with

Irving Trust Company, which was one in which we had an informal three-way agreement among ourselves, First New Haven and Irving Trust, as to borrowing from both of the banks and maintenance of balances in both of the banks. Subsequently, our relationship with Irving Trust was discontinued, and at the present time we bank with National Bank of North America as our principal bank, Continental-Illinois, First New Haven and Union Trust.

Q Was there a time that you were required to participate a loan?

A Yes. In—early in 1970 we wanted to refinance some debt and get some working capital, so—and we wanted to borrow 5 million dollars at that time, so that we went to National Bank of North America, which became the lead bank in a group of banks, which included the other three that I previously mentioned as participants in that loan.

Q Were you required to leave compensating balances at each of these participating banks?

A I don't know if we were required to contractually, but as a matter of normal business practice we did, yes.

Q If First New Haven could have provided you with all [2040] or most of this, of these funds, would you have preferred it?

A Well, it is a little hard to say in retrospect whether we would have preferred the deal they might or might not have made, but in general, it was certainly inconvenient to have to negotiate a loan, particularly since in that instance we were doing it in a rather short period of time to consummate the transactions, it is rather inconvenient to negotiate a loan with a group of banks.

Q Would you have tied up less cash if you had been able to have gotten this from more of a single source?

A As a practical matter, probably, yes. Theoretically, if one is maintaining 20% compensating balances, mathematically the 20% is the same 20% whether it is all in one bank or spread out. But in normal practice with payrolls and payables and of a flat that can be calculated reasonably accurately by our financial people, I think

one can effectively maintain smaller compensating balances dealing with one bank than with a group of them.

Q If the lending limit of the combined bank, that is: the combination of Connecticut National and First New Haven, would approach approximately 5 million dollars, would this, in your opinion, be of any assistance to your company?

A Well, assuming that the time came when we wished to avail ourselves of new and substantial bank borrowing, I think [2041] it could certainly be helpful. At the present time, we aren't a borrower, but if we were, I think it would be helpful, yes.

Q Has your company ever sought business advice regarding business opportunities or business counseling from banks?

A Not so much that, but we have asked the banks that we have dealt with to assist us in finding acquisition candidates for our company.

Q Where have you obtained this advice?

A Well, as a practical matter, I don't think we have obtained a great deal of it from any of our banks to date, but we end up getting it more from the investment banking community than we do from the commercial banking community.

Q Did you ever go to New York banking for this type of service?

A Well, we have spoken to New York banks about it on several occasions.

[2042] BY MR. McENERNEY:

Q Do you have an opinion as to whether the larger New York banks are better staffed and equipped to offer this business counseling type of advice?

A I think as a practical matter, in terms of being able to make suggestions to us as to companies that might be good acquisition candidates, I think, in general, the larger the bank, the more apt they are to be able to make suggestions to us just by virtue of the number of contacts they have.

Q If after this merger this type of counseling busi-

ness advice were available at the resulting institution, would you consider using it?

A Certainly we'd use it. But—

Q Do you have employees' pension funds?

A We have several.

Q Where are they placed?

A The funds, to the extent that there is custodial responsibility—the funds are spread among several of our banks. The investment discretionary responsibility is now concentrated in an investment advisor independent of any of the banks.

Q Is one of your pension funds at First New Haven, the custodial responsibility?

A It may be. At this point in time I'm really not [2043] certain.

Q If after the merger the resulting bank had increased trust department services, would you consider putting the investment advice aspect of your pension plan there?

A I think after I was convinced by their performance for others. I'm not—as a matter of policy, our company has generally in recent years not looked to banks for investment advice.

MR. McENERNEY: That is all I have, your Honor.

THE COURT: Mr. Reycraft.

MR. REYCRAFT: Just two questions.

CROSS-EXAMINATION

BY MR. REYCRAFT:

Q Where is National Bank of North America located?

A Their main office is in New York City.

Q And Continental-Illinois?

A Chicago.

THE COURT: Mr. Bell?

MR. BELL: Nothing.

THE COURT: Anyone else? Mr. Clark?

BY MR. REA:

Q On direct you testified that your company has [2044] several locations outside of Connecticut?

A Yes.

Q Can you tell us where those are, please?

A We have one in—on Long Island, Melville, Long Island. We have two large plants in the Fort Wayne, Indiana, area.

Q Would you consider your business operation to be national in scope or at least multistate?

A Well, it's clearly multistate at the present time, yes.

Q You also, I believe, mentioned the fact that your company banked with First New Haven since at least 1961?

A Yes.

Q Is that correct?

A Yes.

Q When did you commence your banking relationship with the Irving Trust Company?

A I think it was about 1968.

Q Do you recall telling me in an interview in your office that you had commenced a relationship over the period 1962 to '68 with both of those banks?

A No, that's incorrect. I certainly did not say that.

Q In the late 1960's, you testified that your company [2045] outgrew the ability of First New Haven to serve you; is that correct?

A Well, we didn't—it got to a point where we were concerned about the fact that we might want to borrow money in excess of their legal limit, and we felt that we ought to establish a relationship with a bank that could lend us substantially more before the time came when we needed the money.

Q At this time were you envisioning the acquisition or merger with the Helicoil Corporation?

A No, we were just envisioning the need for working—substantially more working capital and the possibility of making acquisitions in general.

Q With respect to the ultimate five-million-dollar

loan that you needed, did that need arise directly upon the occasion of the merger with Helicoil?

A I suspect that some of it resulted from circumstances in connection with that, but I don't think it arose directly from it.

Q Can you tell us what was the credit standing of the Mite Corporation in the late 1960's?

A Well, in—I would say at the time that we made the decision to seek a relationship with a larger bank, I suspect our credit standing was quite good, because we [2046] probably at that time had substantial CD's that we had been selling to the First New Haven and to some of the New York banks.

Q Can you tell me why your relationship with Irving Trust was discontinued in the late '60's?

A Well, I think it was a combination of personality matters, but I think the most specific one was the fact that at the time we were negotiating this loan that was syndicated among a group of banks Irving Trust was initially to be a participant, and the day before the —or the day that we were scheduled to close on the loan they raised some new objections or some new language problems which placed us in the position of not having an agreement that we thought we had the day before the closing, so National Bank of North America, I think, and Continental-Illinois volunteered to take Irving Trust participation in the loan, and that was the end of our relationship with them.

Q Did you approach either National Bank of North America or Continental of Illinois to make the loan as one entity; that is, one single principal loan to you?

A I don't really recall whether I did or not, but I suspect I probably approached them with the idea of seeing whether they could, and then the next question arose as to whether the banks that we did our normal banking with in [2047] terms of payroll and payables and receivables wanted to participate also.

Q Could either of those banks have made the loan, total loan, to you?

A I really don't know what their limits are, but I suspect—I would guess probably they could have, yes.

I'm not certain what their limits were or are at the present time.

Q Do you know if they expressed any reservation to making the total five-million-dollar loan to you on a nonparticipating basis?

A I really—I really don't recall whether that as a practical matter was a question that arose.

Q Previous to that time had you ever attempted to obtain from one principal a loan in excess of First New Haven's lending limit, which I believe was 1.7 million dollars?

A Well, we had—we had—I had just shortly before that time made such a loan, but it was a Euro dollar loan and it was not one that we could have made in the United States.

Q Had you attempted to obtain a larger loan—

A From a bank?

Q —from the bank—than the 1.7 million from the [2048] First New Haven?

A No, I don't think we have. I don't think we have.

Q Assuming you had attempted to obtain such a loan, can you tell us what would have been the result?

A If we had?

Q If you had attempted to obtain a loan in excess of 1.7 million from one bank.

A At what period in history are we talking about?

Q This is over the period of time up to that point in the 1960's.

A Obviously, I think in—I suspect in 1966 or '7 or '8, when we had—had periods in time in excess of a million dollars in certificates of deposit, I think if I had gone to a bank and wanted to borrow two and a half I probably could have done it.

Q But two and a half would have been the maximum?

A Well, I don't know. I don't know what the maximum would have been. I'm trying to recollect what our balance sheet looked like at that time, but I would guess that we certainly had a net worth of eight or nine million dollars at the time and I think we could have borrowed money if we had wanted to.

Actually, we—in the late '60's we had discussed long-

term borrowing with—informally with an [2049] insurance company who expressed the view that they'd be quite interested in talking to us about it when we had a need for the money, but, since we really didn't have the need for the money, they discouraged us from pursuing the matter.

Q At the time in the late '60's when you were considering this five-million-dollar loan, did you attempt to secure that loan from a fewer number of principals?

A Well, that was in 1970, the five-million-dollar loan. I don't recollect the particular circumstances. I know I spoke to the National Bank of North America, and they almost from the outset became the lead bank, and whether we discussed borrowing at all from them or assumed from the outset that it would be syndicated among a group of banks I don't recall.

Q Do you recall telling me in your office about a month ago that in that period in the late '60's Mite's financial position was not so secure that it could be extended a line of credit in excess of 1.7 million dollars?

A I think you are mistaken. From approximately 1963 to 1964—1963 we were quite extended financially, and it was the First New Haven's willingness to extend us a full line of credit during that period of time that garnered our account for them.

[2050] Our cash flow and our cash position improved very strongly during the middle '60's, as I said. By the late '60's we were a lender rather than a borrower, and it wasn't really—and it wasn't until the fall of 1969 and the winter of '69-'70 that our financial position was such that we were looking for substantial borrowing, and that—and that situation was such that till, I would say, the fall of 1970 we were using both short-term and medium-term borrowing. Subsequent to that, in the spring of 1971, we refinanced all of our debt on a fifteen-year term loan.

At the present time we're lending about five million dollars to the banks.

Q But do you recall, again, telling me in your office that in the late '60's the fact that First New Haven had extended to you on occasion their maximum lending

limit was premised, certainly in part, upon your credit standing, but also in part upon the fact that you had been a long-time New Haven corporation? In other words, it was sort of premised in part upon a nonfinancial factor? Do you recall telling me that?

A Why, because I can't imagine any banker in the world that would lend money on anything except—

Q Do you recall telling me that in your office?

A I recall telling you that our relationship with [2051] First New Haven Bank was established principally because in the early '60's, when we were financially strapped, they were the one bank that was uninhibited about saying that they'd lend us the full legal limit notwithstanding our rather hard financial position at that time, and that willingness on their part in the early '60's is what retained the relationship during the middle and later '60's when the situation was changed.

Q If you could have obtained your five-million-dollar loan from three principals as opposed to four, can you tell us what savings in terms of convenience or effort on your part there would have been?

A Well, I think the principal saving in terms of convenience would have been in negotiating a deal. If you negotiate a deal with three banks, then you get—then as the borrower you get the worst clauses that three banks can think up; if you negotiate it with four banks, you get the worst clauses that four banks can think up.

The other convenience would be the one of pursuing the obligation to maintain balances and policing it in four accounts rather than three accounts, with the possibility that I mentioned before, that under some circumstances you would actually—by carefully maintaining balances in four accounts, you might actually end up maintaining slightly [2052] larger balances than you would have to maintain doing it in three accounts.

Q Let's explore this negotiation procedure.

Do you negotiate separately with all principals involved in a loan?

A The general practice is you negotiate with the lead bank. They, in turn, send the papers out to the

other banks. Then you wait for the comments coming back from the other banks and their counsel.

And, as happened in the case of Irving Trust Company, it was their comments which came in on the night before the closing that resulted in their dropping out of the syndicate at the last moment.

Q But, in other words, the lead bank in most cases would take care of the participation details and it would not require the recipient of the loan to contact each bank separately? Is that your testimony?

A Oh, I think the mechanics is such that the counsel for the lead bank would be the one who would generally be talking to the counsel for the other banks and combining their comments on the draft agreement, and I don't think that as the borrower we would be in the position of negotiating separately with the different banks, but we are negotiating points raised by each bank.

[2053] Q So, as a practical matter, in the negotiation stage at least, you are limited to negotiating with the lead bank, one principal?

A All right, we'll limit it to negotiating with one bank.

Q When you commented on the fact that when there were more principals you tended to get the worst of four instead of the worst of three, is it your testimony behind that fact that there was some reluctance on the part of some of these principals to participate and make this loan to you?

A No, obviously not. If they were reluctant, they wouldn't have done it. I think they wanted to participate in the loan.

I think the point is that there's a lot more to borrowing money than establishing the amount and the rate of interest. The contract is probably a 20- or a 30-page document, and there are a variety of clauses and requirements which vary from agreement to agreement, and the more participants there are at the lending end, the more provisions may be suggested, based on the prior experience and the policy of each bank.

Q Did you receive what you would consider to be poor terms upon the occasion of the making of the participation?

THE COURT: What is the purpose of all this? [2054] What are you driving at? If he thought they were poor terms, he's not going to enter a contract on behalf of his company.

MR. REA: What I am attempting to show is I do not think there is any practical difference whether the loan is a two-principal loan or a four-principal loan.

The other point is simply that I believe that the credit standing of his corporation was such that perhaps he could not get the best loan that he would have wanted and that three or four principals were required.

THE COURT: He has denied that.

THE WITNESS: I deny that quite categorically.

THE COURT: He said his company was in good shape; in fact, he was lending rather than borrowing until some merger in part came up and other business things.

I really will sustain my own objection, because I think we are going far afield on a collateral matter. I am sure the purpose of this witness was just to indicate that, had First New Haven a larger lending limit, a businessman of some magnitude would perhaps have done a little bit [2055] more business with the First New Haven; and you have cross-examined on that.

MR. REA: Okay, your Honor, I will proceed to other matters.

BY MR. REA:

Q You indicated in your direct, Mr. Blinken, that at the present time you have no need for the proposed five-million-dollar lending limit of the consolidated bank; is that correct?

A Well, as I—no, I said a moment ago at the present time we have about five million dollars placed in certificates of deposit. On the other hand, I have no knowledge of whether six months from now we might not be in a position of being a borrower again; but at the present time we aren't.

Q But do you have any present plans to borrow from—

A We're aggressively seeking acquisition possibilities—

Q —banks?

A —and I think it's quite realistic to assume that notwithstanding our present excess cash position, if the kind of acquisition we're looking for in terms of size and character comes along, it may involve not only the use of the excess cash that we have but quite possibly some [2056] additional short-term borrowing.

So I think it's a realistic possibility, although I can't characterize it as a probability.

Q You mentioned that you also possibly would use acquisition counseling from the consolidated bank?

A Not so much counseling. I think what we're principally interested in are just leads and suggestions as to companies that might be interested in being acquired in order that we can pursue them.

Q But, if the consolidated bank were to offer this service, would you, in exercising your business judgment, compare that service with that service offered by other banks?

A I wouldn't characterize that as a service. I assume that's the kind of a thing that a bank does for its clients without any—without establishing a plan or a service contract. It's the kind of thing where a bank says, "You know, we've got a client out here in east some place or other, and it's a privately owned company, and the proprietor is now 69 years old and he thinks he wants to retire and make his estate more liquid, and I think he'd be interested in having somebody buy his company," and it's just—it's—it's merely a form of information service which is not unusual in the business community.

[2057] Q Do you have any reason to believe that the consolidated bank could offer that service better than banks which you presently deal with or banks that presently solicit you?

A Only, on the theory of consolidation, they have that many more clients or that many more accounts. I

think it increases the mathematical possibility, and that's all.

Q Do you have any reason to believe that it would be a superior service to that acquisition counseling service as offered by other banks which either are presently your banks or—

A I don't think it's a question of superior and inferior. If, by virtue of a combination with another bank, First New Haven in effect acquires X thousand more clients that are not served by any of the other banks we do business with, there's a possibility that among that X thousand additional clients there may be someone who wants to sell his company.

It's not a question of the equality of service; it's a question of exposure to possibilities, and that's all.

Q Is it your belief that the New York banks, which are larger, would have more contact with acquisition possibilities?

[2058] A By virtue of their size.

MR. REA: We have no further questions.

THE COURT: You are excused, sir. Thank you.

(Witness excused)

MR. McENERNEY: Mr. Gilbert, please.

[2059] JAMES H. GILBERT, called as a witness, having been previously duly sworn by the Clerk of the Court, was examined and testified as follows:

THE CLERK: Please state your full name and address for the record.

THE WITNESS: James H. Gilbert. 16 Old Barnabus Road, Woodbridge, Connecticut.

DIRECT EXAMINATION

BY MR. McENERNEY:

Q Mr. Gilbert, can you tell us where you are employed?

A C. W. Blakeslee and Sons, Incorporated in New Haven.

Q And what is your occupation with Blakeslee?

A President.

Q How long have you been with Blakeslee?

A Since 1946.

Q And could you describe the type of work that Blakeslee performs?

A Practically all types of construction work, plus materials supply.

Q Can you give us an idea of the number of employees Blakeslee has?

A It varies summer to winter, but it will average out 13 to 1500 employees.

Q And how about the dollar volume of Blakeslee? In [2060] sales?

A Yes, about 45, 50 million dollars.

Q Is Blakeslee a subsidiary of another company?

A Wholly owned subsidiary of the Westinghouse Electric Corporation.

Q When did Westinghouse acquire control of Blakeslee?

A December 22nd, 1969.

Q Before this merger with Westinghouse, was Blakeslee able to borrow such money as it needed from the New Haven banks?

A No.

Q Since the merger of Blakeslee, can you describe what your funding situation is if you have any needs for funds to operate your business?

A Our funding source now is the Westinghouse Electric Corporation and through the Westinghouse Electric Corporation their banks, if and when it is needed by Westinghouse Electric.

Q How long have you personally been in the construction business?

A Well, since 1946.

Q And are you a member of any trade associations?

A Yes. A member of the Connecticut Road Builders, a member of the Connecticut Ready Mix Association, member of the National Prestress Concrete Institute, a past member of the American Concrete Institute, a past—a member of the National Ready Mix [2061] Concrete Association and a member of the Precast Systems, Incorporated.

Q Have you been an officer or a director in any of these trade associations?

A I have—excepting the American Concrete Institute, I have either been an officer or a director, in some cases, both.

Q Are you in contact with other general contractors throughout the State of Connecticut?

A Yes, I am.

Q Through your contacts and your general familiarity with general contracting in the State, can you tell us where there are any financing needs of general contractors with respect to equipment?

MR. CLARK: Object, your Honor, to testimony which does not relate to his own corporation.

THE COURT: Well, I will sustain the objection if it gets into a lot of detail, but frankly, I am interested in knowing what the reputation of the New Haven banks is, among businessmen, and if he talks to other presidents or executive officers of other corporations that are housed in the New Haven area, I would be interested to know what their general feelings are about the capacity of the New Haven banks to take care of their needs. If that's what you are driving at.

[2062] MR. McENERNEY: That's right.

THE COURT: If that's the final point, I suggest we get to it rather than ask him if somebody needs money for a particular item. Do you understand my question, anyway, Mr. Gilbert? What is the reputation of the New Haven banks among businessmen of your size, among the executive officers of businesses of your size as to whether they can handle the needs of the corporations housed in the New Haven County area?

THE WITNESS: Specifically, from our own company's standpoint, they do not have adequate resources. I don't know we're a great deal different in my discussions with other major contractors in the State of Connecticut, regulating the financing needs of the contracting fraternity, the First New Haven has inadequate resources as set by their legal limit which was originally one, seven or something and now is two, four.

Q Can you tell us with respect to equipment leasing whether First New Haven does any of this?

A To my knowledge, they do not do any equipment leasing of any major pieces of equipment. You are talking about leasing to contractors?

Q Yes.

[2063] A Yes. Well, this gets back to the contractor's need for financing, whether it be equipment or—

Q Could you describe that?

A Well, it's—contractor's need for financing runs from—needs are generated from a half a dozen different directions within his contracting operations. First in equipment, the cost of equipment has risen horribly in the last half a dozen years. For instance, a common dump truck which you see driving down the road costs some 30,000, mixer trucks some 30,000, a 100-ton crane, which is about common for the major contractors these days, anywhere from 200 to $250,000.00. So a contractor in order to maintain his fleet must borrow in order to purchase equipment.

Naturally, he would turn first to the—to the lending institution with whom he has established a relationship, and probably could satisfy his equipment leasing needs from the lending institution. This then would deny him his standard—this then would put him close to the legal limit and deny him the standard financial requirements for working capital and also for turnkey operations or whatever, other type of activities in which he's engaged that would require for money, for instance, the Blakeslee Company, if this is germane, I don't know—but the Blakeslee Company at the time when the First New Haven had a legal limit of a million seven borrowed [2064] over two million, four, and then went beyond the First New Haven for the balance.

Q You mentioned turnkey projects. Can you describe for the Court what these are and what they entail from a general contractor's point of view?

A A turnkey project is one in which the owner requires the builder to finance the construction of the building. Upon completion of the building he turns the key over to the owner and the owner then pays him in full the contractual amount.

Q Is this in the nature of public housing?

A 85% of the turnkey I'm aware of is public housing. Another 15% might be private housing.

Q Is there any turnkey housing projects in the New Haven area?

A There are six or seven with which we're familiar in the New Haven area that have come up in the last three years. The dollar volume involved will run from a million, six to three, five. The average is better than two million dollars for each of the six projects that we're aware of in the greater—well, there are five in the greater New Haven area and one that we're involved in Vernon, Connecticut, and I am sure there are appreciably more in the State of Connecticut than those with which we have had direct relationship.

Q Now, in connection with interim financing, do [2065] contractors need interim financing in order to get into this turnkey project housing?

A They very definitely do. They have a growing financing need from zero at the start of the job to,—as I say, in the six I'm familiar with, two million dollars upon completion of the job, and I don't know of a contractor in the State of Connecticut that has in house assets or liquid assets that could finance such an operation, they must go outside for the financing.

Q Do you know whether First New Haven is involved in turnkey financing?

A I'd be very much surprised if they were with a legal limit of two million four, again—for the Blakeslee Company if we went to—they could not handle the turnkey projects with which we have been involved because of the legal limit, they would have to farm it out.

Secondly, if they were able to handle one or two of the turnkey jobs in which we're involved, they couldn't handle the rest of our financing needs.

Q Has your company ever used computer services of First New Haven?

A Yes, we have.

Q Could you describe the type of application that a general contractor could use computer services of a bank?

[2066] A The type of service that we had, they processed our payroll and a computer printed the checks, but they also handle the multitude of accounting requirements of the various state and public agencies for payroll re-

porting. They handle for us quite well—but as the greater degree of sophistication of cost control within the contractors groups has progressed, namely: to use the payroll data, to also track costs from the time recorded on payroll, this called for a more sophisticated EDP programming work and personnel, more sophisticated equipment, and we ended up taking our payroll accounts out of the First New Haven because they had neither the personnel nor the equipment to satisfy the further sophisticated requirements of the payroll processing.

Q If the consolidation of the two banks in this case were to offer more sophisticated computer services, would you be willing to consider to use them?

A No.

Q Why not?

A The reason, again, we have the—we now are tied in—without the affiliation with Westinghouse, the answer would be: yes, sir. Being affiliated with Westinghouse, we have their computer service that would be available to us, so we would not use it.

Q Do you think that there is a need for this type of [2067] computer service to other general contractors?

A If it were not for Westinghouse, it would be our needs right now, and I am sure we aren't much different than the others.

MR. CLARK: I raise the same objection with regard to the testimony.

THE COURT: Well, I would have rules in a similar vein, I am interested to hear what the businessmen of New Haven area are saying about the First New Haven. Even though they are hearsay sources, but you also have found that the opinions you expressed here are backed up by your own personal experience with Blakeslee prior to the Westinghouse merger?

THE WITNESS: Yes, sir.

THE COURT: All right. Go ahead. The objection is overruled.

MR. McENERNEY: That's all I have, your Honor.

THE COURT: Mr. Reycraft.

CROSS EXAMINATION

BY MR. REYCRAFT:

Q Mr. Gilbert, just a minor correction of the record, I believed you testified earlier that at a time when First New Haven had a lending limit of a million seven that you borrowed in excess of 2.4 million outside, I think you meant to say 1.7?

[2068] A No, I meant 2.4.

Q You did? Could you explain that? I don't understand.

A Yes. They farmed out the balance to another bank, the participating bank, a situation we were not happy with, but had to go along with because of their limit.

Q So that this was a situation where they were unable to serve your needs at that time?

A That is correct.

Q Do you know, Mr. Gilbert, where the turnkey projects which you are familiar with in New Haven have been financed? With what banks?

A I don't.

Q That's—

A Those turnkey projects that we have been involved have been financed with Westinghouse, again.

Q You don't know where the other projects are being financed?

A No, I don't.

THE COURT: I am curious about the payroll. Did you change banks on that?

THE WITNESS: At that time we didn't change banks, we set up our own EDP facilities.

THE COURT: So that Blakeslee had this more sophisticated equipment at the time than the First [2069] New Haven?

THE WITNESS: For our own particular needs.

THE COURT: For your own particular needs?

THE WITNESS: Yes.

THE COURT: Yes. All right. Cross examination.

CROSS EXAMINATION

BY MR. CLARK:

Q Mr. Gilbert, are you a member of First New Haven's board of directors?

A That, I am.

Q If the merger, this proposed consolidation goes through, will your corporation, Blakeslees, alter its banking relationships in any way?

A It will not.

Q What are the total sales of Blakeslee again?

A 50. 45 to 50 million dollars.

Q How does that compare with other construction companies in Connecticut?

A I would say that the Savin Corporation is in that category. I would say that the O&G Construction Company, they are in the general construction, building construction and highway. I would say the Tomasso-New Haven Trap Rock combine is in there. I would say that White Oak in their total activities—White Oak Construction would be in that general range.

[2070] Q Are there any that are larger?

A Gilbane operates in Connecticut, he is larger.

Q Is he an out-of-state—

A He's an out-of-state. He has an office now in Connecticut and is doing quite a bit of work in Connecticut.

Q How many construction companies are there in the State?

A I haven't the slightest idea.

Q Can't you give us any ballpark figure?

A No.

Q Would it be in excess of a hundred, for example?

A It would be well in excess of a hundred.

MR. CLARK: That's all, your Honor.

MR. McENERNEY: I have nothing.

THE COURT: You are excused, Mr. Gilbert.

THE WITNESS: Thank you.

(Witness excused.)

[2071] WILLIAM SCHMIEDEL, called as a witness,

having first been duly sworn by the Clerk of the Court, was examined and testified as follows:

THE CLERK: Please state your full name and address for the record.

THE WITNESS: William Schmiedel. 50 Sunset Hill Drive, Pine Orchard, Connecticut.

DIRECT EXAMINATION

BY MR. BARRETT:

Q Mr. Schmiedel, could you tell us where you are employed?

A I'm employed at M. Schiavone and Sons, Inc. of North Haven, Connecticut.

Q And could you tell us what your position at M. Schiavone is?

A Well, I have been secretary—when we incorporated in 1937, I was secretary then. I was made secretary-treasurer in 1941 and I have been that ever since.

Q Is your present position just beneath that of the chief executive officer of Schiavone?

A Yes, Joseph A. Schiavone is executive vice-president and chief officer. I'm in charge of all financing and marketing of all our operations.

Q Could you tell us where your headquarters are located?

[2072] A The headquarters are in North Haven, Connecticut now. We moved there recently, just this past year.

Q Are you located near any major highway?

A We're right on Route 91.

Q And can you see the building from Interstate 91?

A Oh, yes, sir.

Q What kind of facilities do you have there at your headquarters?

A We have our general offices, garage, maintenance department, building, warehouse, about 60, 65,000 square feet, which is used primarily for nonferrous materials and some 60 acres of land. With equipment.

Q What is on that 60 acres of land, mostly?

A Overhead crane, have numerous other type cranes, a fragmentizer, which chops up automobiles.

Q Could you give us a general description of exactly what Schiavone does, what kind of business it is?

A We are in the ferrous and nonferrous scrap metal business, principally. We are like an accumulation point for many smaller dealers and—used to call them peddlers, where we gather the material, prepare it, segregate it to consumer specification and ship it in bulk lots. Most of our business in the ferrous field is in the export business—export field.

Q Could you give us an idea of what your approximate sales [2073] during the most recent year would be?

A Well, since the price of scrap is very volatile, it ranges from 40 to 80 million dollars a year.

Q And how many employees do you have out there at North Haven?

A At North Haven there's approximately 150. Maybe a little more. Overall, it's about three hundred and some.

Q How would you compare Schiavone to other scrap metal dealers on the east coast in terms of size?

A Well, size in reference to tonnage handled, we're one of the largest, if not the largest.

Q I believe you said just a moment ago that you have some international operations. Would you describe those and tell us whether or not they comprise the bulk of your sales, or whether, on the other hand, you do a great deal of business domestically?

A Well, there are two sections. In the ferrous field, some 90, 95% of our business is in the foreign field, that is: foreign sales, selling to foreign consumers.

In the nonferrous business, it is a much smaller percentage, because we—right in the heart of the brass mill area, the consuming area right here in Connecticut, so nonferrous—mean brass, copper, et cetera—that is our principal domestic market, but in the ferrous field we couldn't [2074] live without the export market.

Q Well, if we could address ourselves to the ferrous scrap metal field for a moment—

A Right.

Q —would you describe the scope of your international operations, just how wide range are you when you talk about international?

A I mean worldwide. We sell to every country in the world it is permissible to sell it to, England, Germany, France, Spain, Italy, Greece, Turkey, China—not China—Taiwan—Korea, Japan, Argentina, Venzuela.

Q When you sell ferrous metal to customers in some of those countries that you mentioned, are you ever concerned about their credit standing and whether or not they will pay you for the metal that they buy?

A Oh, yes, since 1966. Prior to 1966, we used to sell to other people. American companies, brokers, international trade artists, and the finances were taken care of by them. Since 1966 we entered the direct selling field and we established a division with offices in New York which handles all our export sales.

Now, in selling to a country like Spain, the consumers, they usually pay with—they don't pay on letter of credit, they will pay perhaps with a bank guarantee, some of them don't do that. [2075] The main consumer in Spain, Pensadesa, which is government controller, we have to do the financing in some manner, we have to get a bank to take the credit, because we cannot take that risk. It isn't a risk because it is a substantial company, but then we will be exceeding our needs for money, because there when you go 69 days, you do so on a hundred thousand tons, that can be four million dollars that can be out over this period of 69 days and we need current money for our working capital. Every day pays. Of course, in the export field, it demands an accumulation of inventory, we always carry an inventory of four to five million dollars.

Q Am I correct or incorrect in believing that, therefore, the credit standing of your foreign customers is of some importance to you?

A It is of most importance, greatest importance, to us.

Q In order to find out what his credit standing is, do you resort to commercial banks for advice on how these foreign creditors—debtors stand?

A Oh, yes, sir. We wouldn't enter into any negotiation for a contract of sale without discussing it with a commercial bank, and—

Q Would—excuse me, go ahead.

A We have had to since 1966—discussed this with Irving Trust Company, First National Bank of Boston, who has an [2076] international branch, the BBI, Bank of Boston, International, and New York.

Q Do you prefer to go to Boston and New York to get this kind of advice, or would you prefer to get it locally if it were available?

A Well, if it were available locally, naturally, we would be very happy to do it right here.

Q Why do you say that? Why would you prefer to do it here?

A Much easier, it's just ten minutes away where you can go down and talk to them. Telephonewise, of course, it isn't any inconvenience, but you have to sit down and go over all the details of the contract of sale.

Q Before you get on the telephone?

A Which is very difficult on a telephone. So we have daily telephone conversations with the New York banks and Boston pertaining to all our contracts.

Q If another source of credit advice on foreign customers were to become available in New Haven from the New Haven banks, would this be of any assistance to your company? If, for example, if you could find some of this information that you now get from New York and Boston, if you could find more of it decent quality from New Haven, would that be of assistance to you? [2077] A Oh, definitely. If there was a New Haven bank with a knowledgeable export department, or whatever you might call the department, foreign department, who would have contacts with correspondent banks in the countries we're doing business with, they could get the information for us a lot quicker than by us going to New York and asking about some steel mill in Argentina. There would be days saved, and time is very important in our business. Because by the time we get the information, sometimes we may have missed the sale on a good customer.

THE COURT: I am sure Mr. Schmiedel is a busy man, I don't mean to cut you off, why don't you get right to the point with him and ask him if the First New Haven situation was such that they could put up an international counseling office in New Haven, if he thinks, one, that his firm might be interested in looking to that bank to give it some business, and; two, what his opinion is as to other businessmen in the community.

MR. BARRETT: Yes, sir, I think that's a very good question.

Q Would you answer that question?

A Well, I like that question because we would definitely be very interested in having a large, knowledgeable bank in New Haven, Connecticut, right.

[2078] Q Do you think there's any other need in the rest of the community—I gather you do meet other businessmen in the community, is that correct, and know something of their needs?

A Yes. Not particular in our field, because I think we're about the only—well, maybe—there's nobody else exports—scrap like we do from the New Haven harbor, but in speaking to other people, I'm sure that they need international advice as far as foreign trade is concerned.

We have a subsidiary company which handles inflatable furniture, bicycles, et cetera, which we try doing business with the First New Haven and couldn't get the right information, it was very difficult. So we went to the First National City Bank of New York City, which was very inconvenient.

Q I gather when you mention bicycles and inflatable furniture that Schiavone also is interested in other fields other than just scrap metal, is that right?

A Yes, sir.

Q Do you in that regard need advice on business opportunities that may be available in other fields, do you find that useful?

A Mr. Schiavone, who is always interested in any business opportunity, no matter what it may be, that perhaps might return some money to our company.

Q And where do you get most of this advice now on business opportunities?

[2079] A In talking with people from Chase Manhattan, Irving Trust, Boston, First of Boston.

Q If First New Haven after this merger could give you more advice in that area, would it be useful to you?

A Oh, definitely, it would.

Q Do you ever need information on business trends and business forecasts in your business?

A Well, I think we know more about it than anyone else, so we don't look for trends in the scrap iron and steel business.

Q Could you tell me where you have lines of credit at the moment?

A At the moment we have various and sundry different—we have long-term loan with the New Haven Savings Bank, for example, which has a mortgage on our new facility in North Haven, but our lines of credit for capital is with the First New Haven—I mean the First National Bank of Boston together with the Union Trust Company in New Haven. We wanted a local bank to participate with it. And in foreign fields, Irving Trust participates, they have never set any limits on any of our credits which is over and above our normal working capital, this is on these credits to—on sales to foreign consumers where they pay in 60 or 90 days, which we may discount without recourse, so that is in addition to our normal line of credit.

Q If the merger were approved and the—

[2080] A I'm sorry, one other, South Jersey National Bank was just recently—come into the picture since we have operations in Philadelphia and Trenton and Camden.

Q Would you prefer to get most of your credit locally, or do you find it convenient to go to New York and Boston?

A Well, since our main office and most of it would be here, we would prefer to have it locally, but we would still do business in Boston since we have a large operation in Boston, and we think it is good business to do

business with a large institution in Boston. Also, in New Jersey, Philadelphia area we decided to use the South Jersey National Bank, which is large enough to take care of our interests down there, we would always do business locally no matter where we were. But for our main financing, we would much prefer it in New Haven.

Q Do bankers from New York or Hartford or Boston ever call at your company?

A Oh, yes. Well, from our New York office we have daily—daily visits, either they come to our office—we go into their office, on various and sundry matters.

Q Do the Hartford banks come down and talk to you, though?

A I haven't personally had anything from Hartford. Joel Schiavone, who has been handling most of this bicycle [2081] business, has had visits from the Hartford National Bank. I have a visitor from Irving Trust coming up which I had to cancel because of this thing today, but it is postponed until tomorrow, and he wants to discuss a new project we're going on.

Q One final question. What is Joel Schiavone doing now with regard to the bicycle business and how would he be in contact with the Hartford banks?

A Well, they contacted him.

Q Oh, they contacted him?

A They contacted him.

Q I see. And do you know in what capacity they tried to serve him?

A No, I don't know the details of it. At least I know we're not doing anything with them.

Q Do you know whether Schiavone has imported bicycles into the United States?

A Oh, yes. We have imported them from Germany and we're now negotiating with a firm in France.

Q Well, thank you very much, sir.

THE COURT: Mr. Reycraft?

MR. REYCRAFT: No, sir.

[2082] CROSS-EXAMINATION

BY MR. BENTKOVER:

Q Mr. Schmiedel, is it your testimony that if the merger between the Connecticut National Bank and the First New Haven National Bank were permitted, you would move all of your international financing and transactions to that bank, out of your New York and Boston banks?

A Well, that would be a decision by our board of directors, which is composed of Joe Schiavone and myself and one other person, his wife.

Now, I don't think they could handle all of it because I don't know what the size would be, but, as I explained, we use about five million dollars current working capital. We've never reached a limit in our need, but over and beyond that we may go another two or three million dollars in our export trade, risks that's outstanding, receivables.

Q I think you mentioned, other than international financing, that you use advice on international credit transactions—

A Yes.

Q —and matters dealing with international financing not involving the actual lending of money; is that correct?

A Well, I don't know whether I completely understand [2083] it.

But I know that the First of Boston, BBI, went out and made an investigation of the new steel-making capacities under construction, et cetera, in the country of Brazil. Now, they had a very, very fine article which they sent to us. This is the first time we realized that Brazil would be a potential future customer. We immediately established a contact in Brazil, and we're following this through.

Now, this came from the First of Boston, who is in international trade.

There was a concern in Argentina that—a few electric furnaces were built, and they came to the United States

to buy scrap. They came to our office in New York. Well, we were nice to them, talked to them, but then we went to the First of Boston to ask whether they knew of this company, because we didn't want to get involved in any contract with this company; we didn't know anything about Argentina, how we'd get our money, et cetera. We found out that the First of Boston knew all about this company. They gave us a full background, and we concluded the business with them, and it's been very successful.

Q Do you know whether the Connecticut National Bank would offer you those services?

A I don't know the Connecticut National Bank.

[2084] Q Do you know their—

A I never had any dealings—

Q Do you know their capabilities in the international field?

A No, sir.

Q Do you have any knowledge that the merged bank would offer you all of the international services which you are now getting in New York and Boston?

A Well, I think if they just merge their present staff, I don't think they'd be any help to us, no. They'd have to develop their international business, their international knowledge.

Q Would you want to investigate what resulted from this merger and then compare it to what you are getting from your other banks before you decided where to do your international business?

A Oh, we would want to know what we're doing.

We have known the First New Haven ever since we've been in business in New Haven, and have had very friendly and good relationships with them, so we would definitely listen to them and lean towards them if they could help us on the same basis, the same par, with the New York banks or Boston. We would definitely, I would say, because of old-time relationships, go with the First New Haven.

[2085] Q That is assuming they could match the New York and Boston banks?

A If they could give us the service we need, right.

Q Do you know what the size of the Irving Trust and the First National Bank of Boston is?

A No.

Q From what ports does your export division export scrap?

A Well, we ship out of Boston, New Haven and Philadelphia—Camden; that's the same port. Our own scrap. However, over and beyond that, the broker material—we buy material from the Great Lakes, Duluth, Detroit, Saginaw, and then all along the eastern seaboard and the South, Richmond, Norfolk, Jacksonville, Port Everglades, Tampa, New Orleans.

Q Did you say you purchase in those ports?

A We buy materials from other shippers and sell it to foreign consumers. We act as a broker in those transactions. That's where we need money, you see, because you—when a dealer in New Orleans loads a ship, he wants to get paid 100 percent. We sell—if it's against a letter of credit, we get paid perhaps 90 percent; 10 percent is on term. But he wants his money immediately upon finishing that vessel, which may be half a million to a [2086] million dollars, depending on the size of the vessel.

Q I think you stated that you have a subsidiary in New York which is involved in international transactions?

A Yes.

Q Why did you establish it in New York?

A Because that—well, we thought about why we did, and we've been thinking about moving out to North Haven, too, but, because of banking connections—that is, the need for the running downstairs—we are in the Irving Trust Building, incidentally, on 42nd Street, so it's much easier to go right down there. We do our banking. We have an account with Chase Manhattan, also, which is just around the corner.

And there's an awful lot of detail work with letters of credit, bank guarantees, documents and so forth, when you ship export, and they are a great help to us.

Q They deal with your New York—

A Oh, we wouldn't handle that out of New Haven. We'd have to be commuting back and forth.

Q So am I correct that your New York subsidiary handles those transactions and paper work with the New York banks?

A The paper work's handled there, right.

Q Do you have occasion to travel to New York?

[2087] A Yes, I visit there quite often.

Q Only for banking business, or do you have any other reasons to go to New York?

A No. Other reasons, surely. Foreign visitors come in, et cetera.

Q When you go to New York to transact other, non-banking business, do you also combine whatever banking business you might have?

A Yes, definitely.

Q So you are not saying that you make trips to New York to deal with banks?

A I cannot say that I just go to a bank, no.

Q I think you indicated that you did borrow some money from a savings bank; is that correct?

A Yes. That was—well—

Q Is that—

A We asked the First of Boston how we could handle this, and they suggested we go to a savings bank in New Haven to finance the building of our building, an office and warehouse in New Haven.

Q Did they indicate the reason was, as an out-of-state bank, they could not mortgage in Connecticut?

A They didn't say why. They thought it would be nice of us to do it locally.

[2088] Q What was the purpose for which you borrowed the money?

A To build the office and warehouse and garage facilities we now have in North Haven.

Q You used that money for long-term proceeds and not to finance working capital?

A Right.

Q Is there any reason why you do not use a long-term mortgage to finance short-term working capital needs?

A I don't know what you mean, sir.

Q Have you used a mortgage before, long term, in order to finance your working capital needs?

A No.

Q What is the reason?

A We used our own money in all capital expenditures. We have been getting over and beyond our current —our current capital limit, which we've established at about five million dollars, by putting this fragmentizer, for instance, in New Haven, which we financed all ourselves. That cost about a million and a half dollars, plus overhead crane is another half million dollars. This we did out of our own fund, working capital fund.

The First of Boston suggested that we shouldn't do this, that we ought to relook at our financing and perhaps [2089] get a long-term loan. This is beyond this office and warehouse, long-term loans, perhaps five years, when I'm talking about long-term loan, to keep our current borrowing only for the purchase and sale of scrap.

Q Is it correct that your current borrowings are for short-term purposes?

A Yes, sure.

Q Do you meet those needs with commercial bank loans?

A Right.

MR. BENTKOVER: No more questions, your Honor.

THE COURT: Anything further?

MR. BARRETT: No, sir.

THE COURT: You are excused, Mr. Schmiedel. Thank you.

(Witness excused)

MR. BARRETT: Your Honor, if the Court please, it might be convenient to take a break for lunch.

THE COURT: We will recess until two-fifteen.

(Luncheon recess)

[2090] AFTERNOON SESSION

THE COURT: Are the parties ready to proceed?

MR. McENERNEY: Yes, your Honor.

Call Mr. DeChant, please.

VIRGIL DeCHANT, called as a witness, having been first duly sworn by the Clerk of the Court, was examined and testified as follows:

THE CLERK: Will you state your full name and address for the record, please.

THE WITNESS: Virgil C. DeChant, 72 Highland Park, North Haven, Connecticut.

THE CLERK: Thank you. You may be seated.

DIRECT EXAMINATION

BY MR. McENERNEY:

Q Mr. DeChant, where do you work?

A In New Haven for the Knights of Columbus.

Q Would you tell us your position with the Knights of Columbus?

A I hold the title of supreme secretary, which would be the equivalent of a corporate secretary.

Q How long have you held this position?

A Since 1967.

Q Would you tell us approximately how many members [2091] you have in your organization?

A 1,150,000, in that area.

Q Would you describe the principal means by which the Knights of Columbus obtains revenues?

A We have a per capita tax on each member, $2.50 a year, but the prime source of revenue is our life insurance corporation under the fraternal code, under the fraternal system. We do have in excess of two billion dollars of life insurance in force. Our annual revenue—the annual premium income amounts to approximately 45 million a year. So that is—the insurance is the—operation—is the main source of our revenue.

Q Would you tell us approximately how many insurance policies you have outstanding?

A About 640,000 certificates, policies.

Q Could you tell me how many of those are Connecticut residents?

A I would say 15,000. That would be Connecticut. That's give or take a few.

Q How are your premiums paid for? Are they paid for on a monthly basis?

A Well, they have options; the annual basis, the semi-annual, quarterly or monthly.

Q Could you give me an idea of the number of checks [2092] you receive each month for premium payments?

A Our premium income, which runs around four million dollars a month—little less, perhaps—from the total average, constitutes 125,000 items, more or less, as—but that's pretty much the average per month of items, checks, that we have to process.

Q Where does the Knights of Columbus presently have their general account, general banking account?

A At the First New Haven in New Haven.

Q Could you tell us for how long it's been at First New Haven?

A I don't know exactly, the exact date, but it was either late in 1967 or early in 1968, because I was elected to the position of secretary in '67 and it was subsequent—it was my move to transfer the funds to New Haven.

Q Do these monthly items come into your headquarters in New Haven?

A All of them do, yes.

Q Prior to your present banking connection with the First New Haven, could you tell us where you had your main banking account?

A For many, many years it was with the Chemical Bank in New York.

Q How did you get the daily items from New Haven [2093] headquarters down to Chemical?

A We had armored-car service, and every night we —we batched—we received them in New Haven, verified the amount, batch, and coded them, and sent them by armored car daily to the Chemical National Bank.

Q Did you find this convenient?

A Well, I didn't. That's the reason I changed it. It was not good—it was a cumbersome procedure. It was expensive to the organization. The time lost in money—in the—by the time we got the money to New York and got the interest, the expense of the armored car was cumbersome.

And then there was another motive, too: It's the community responsibility. I felt that the Knights of Columbus, since New Haven was its headquarters, should do its banking in the home city.

Q Did you lose any banking services when your organization switched from Chemical to First New Haven?

A Yes, we did. The Chemical, as a result of having our account for many, many years, gave us the—made available to us their entire trust and investment department for recommendations, items that we could—if we were investing these insurance funds, when we were in doubt we could call on their department at no charge and they could render us their professional services, which we miss today.

[2094] Q Does the Knights of Columbus have any investments at the present time?

A Yes, yes. We have. Our major—

Q Could you—go ahead.

A —major general account—we have some subsidiary accounts that are not too large, but the general account, investments, are in excess 450 million dollars.

Q Are you in short-term commercial paper at all?

A We have to resort to short-term commercial paper awaiting a prudent investment for a long—a prudent investment in stocks or bonds. So in the interim we use our money in short terms so that when we do elect—short-term investments—when we do elect to buy a bond, it's available.

But many—I think it's the reverse that actually is true. We aren't able to study prudent long-term investments quick enough and fast enough, so in the interim our money is placed in short-term investments.

Q Could you give us an idea of the dollar amount of that short-term investment?

A Just as of yesterday it was 22 million dollars in short-term investments.

Q Do you believe, if this merger of Connecticut National Bank and First New Haven were to be accomplished, [2095] that the resultant bank could be of some assistance in investment counseling?

A I would think very definitely so. It might be an assumption on my part, but I would expect the merged bank to have an enlarged trust department that could render to some better degree the services that we lost from the—that we were previously getting from Chemical.

We're facing a situation just currently—our investment counselor, in-house investment department, resigned about three weeks ago, so now we're not holding in office, any one of us, by virtue of our investment background, so we have to now look to some outside source till we can build up a new investment department from within.

And, frankly, although we're looking at a proposal from the First New Haven, I'm in doubt as to whether they can render the service that we're seeking, in this—this very moment. I say that because I think our investment portfolio is perhaps larger than their entire trust department. I haven't checked that out, however.

Q Could you describe for us the method that your organization presently bills its membership on a month—your monthly payment members, your life insurance?

A High number of 640,000 are monthlies. We bill them with three stubs, a coupon, a bill, with three monthly [2096] stubs and three envelopes, so they can send in their checks monthly, and some of those are small certificates of policies, a thousand, two thousand dollars' worth of premium; perhaps it's a dollar fifty cents a month.

And so, while we originally bill them with the three stubs, which means we only bill them four times a year, if they're late—however, if they're late, we have to bill late second notices on an individual monthly basis. And, of course, it can be very cumbersome. If somebody's slow in the paying process, he'll have late notices passing in the mail; then they get confused as to which months they've paid and which they didn't on occasion.

Q Have you found that your lapse rate in the monthly premiums is somewhat higher—

A Oh, yes.

Q —than otherwise?

A It's—just comparing it with the quarterly pay mode, it's double; the monthly lapse ratio's double, any given month, I would say, comparing it with the quarterly pay modes.

Q Have you investigated a method by which you believe the lapse rate will tend to be less and at the same time will facilitate your organization in the amount of work required on the monthly payments?

[2097] A Yes, we—and we inaugurated about three years ago, I would say, a preauthorized check plan, under which system the insured authorizes his bank to pay a draft that we prepared in New Haven once a month, the 1st of the month. We merely prepare the draft and deposit it, and when it hits his bank they will—the bank has authorization to take it out of the individual's account. It saves us billing and it guarantees regularity.

The greatest advantage of it, of course, is that our lapse ratio is practically nil in those cases; it's practically nil. Unfortunately, we only have five thousand cases under this preauthorized check plan, and the reason being is that we have to manually pre-encode each item. There's not a bank in New Haven that could give us the service of doing—of doing this service for us. So I would say that we could reduce this lapse ratio tremendously if we could get a bank to provide us with this service.

Q Has a bank offered you a plan, a computer plan, that would fit your needs?

A At the time when we pursued it, the Hartford National, I believe, is one of the Hartford banks that has the plan; they could take this service and provide us with the service whereby we would—we would make available to them at the 1st of the month our computer tape and they [2098] would audit it. They have a program whereby they would take our computer tape and prepare the finished, pre-encoded check.

We did not choose to go to Hartford.

Q If this merger were to produce a better and strong-

er computer service, would you be willing to consider the merged institution to offer this service?

A If we could get that service, we would immediately, yes; we would immediately convert. We would immediately enter into a contract with the bank to handle that service for us, and then we would attempt, through direct mail, through all of our insureds, on a monthly basis —that we would attempt to get them to use this preauthorized check plan. It would save them postage, it would save us postage, and it would, of course, guarantee the insurance to be in force for the insured.

MR. McENERNEY: That's all the questions—

A (Continuing) But we can't do this now.

MR. McENERNEY: That is all I have now.

THE COURT: Mr. Reycraft?

MR. REYCRAFT: No, your Honor.

THE COURT: Mr. Bell?

MR. BELL: No, your Honor.

[2099] CROSS EXAMINATION

BY MR. BENTKOVER:

Q Mr. DeChant, is the Knights of Columbus represented on the board of directors of the First New Haven National Bank?

A Yes. The president—the Supreme Knight of our organization is a member of the board of directors.

Q Does your organization have its own computer system?

A Yes.

Q Do you own the system or lease it?

A No, we own—well, we lease some items, but basically we own the system.

Q Is it a very large computer complex?

A Yes, it would be. I would consider it very large, three computers.

Q And do you handle, then, most of your own data processing, would that be correct?

A Correct.

Q Do you contract any data processing out to any other firms?

A No. We do have, however, a lot of consulting firms assisting us, and we have one in their right now where we're doing a comprehensive rewrite of our entire data processing system as it pertains to insurance, but we do all of the—as far as computer time—unless a machine would break down, but there's [2100] no other contract.

Q Could you purchase the additional equipment or the program which would permit you to pre-encode your items?

A I don't think so. It is not the matter of purchasing, I think, the software, it would be the maintenance of it. It would be a daily—a daily up-date with all the —every time a bank changes locations or changes—or a new bank comes into being, we'd have to keep this updated on our records and I don't know where we'd get that service. I don't think it would be feasible for us to do it, either, it would be very expensive.

Q Have you checked with any computer service companies to see whether they offer these programs?

A No, I have not.

Q So they may offer it, is that correct?

A Computer service company?

Q Yes. Or software companies who are in the business of producing these programs?

A They—I'm sure there's some would do it, because the banks have it. The bank in Hartford has it. We could probably buy the program from them, you see.

Q So the program would be available if you wished to do it yourself?

A To install, but I don't know how we'd keep it updated. We're not—not being in the banking business, see.

[2101] Q Well, I guess I'm asking: do you know whether computer software companies provide the service?

A I really don't know.

Q But you could have it done at the Hartford bank if you chose?

A Correct.

Q And you haven't really checked to see whether anybody else would offer this service?

A Oh, yes. At the time the bank—not recently, no, but back at the time that we started on this manual operation, nobody in New Haven could offer this service.

Q Have you checked with computer software companies in other parts of Connecticut?

A No. We didn't check with other software companies on it to my knowledge.

Q Have you investigated the computer capabilities of the Connecticut National Bank?

A No. This is the one—

Q Yes.

A —in Bridgeport?

Q The bank which is merging with First New Haven.

A I do not.

Q Do you know whether they offer these services?

A I do not know.

[2102] Q Do you have any knowledge, then, whether the merged bank would offer this service?

A No knowledge except that I'd be optimistic.

Q Are you just assuming that if they merge, they might offer it?

A Yes. I'm assuming that—for it to be profitable to any bank, they would need more clients to handle that. It would be a—so I'm assuming that they would have it. I do not know for a fact that they guarantee. If that answers your question.

Q Where do you presently obtain trust services?

A We have had it all in-house. You mean investment services?

Q Yes. I believe you discussed capabilities of the First New Haven as far as offering trust services. Do you obtain trust services from out-of-house, from any other organization or institution?

A No regular contract. We do have—except for our retirement fund, the Union-New Haven Trust handles our investments in the three different employee retirement funds we have. And then on occasion on individual purchases our investment department uses whatever is

available to them. But there's no given contract or no relationship with anyone that I know of.

[2103] Q So that most of your investment service is done in-house, and trust service, is that correct?

A That's correct.

Q And do you see any difficulty in finding any out-of-house sources of investment and trust services should you ever need them?

A Yes, we do. We really do. To cut that question thin: we find ourselves having to go to the vendor, to the man who's selling the issue for the recommendations. Whereas, comparing it now with the relationship we had with the Chemical, the Chemical was not involved in selling, and so they gave the more objective appraisal, and when it came across our desk as the investment finance committee, I could see that there was nothing in the Chemical recommendation that they were making, but when it comes from some brokerage house, you can't help but feel that perhaps they're motivated because they're also marketing the security.

Now, the First New Haven is—as it's presently set up, their trust department does not satisfy me as to the degree of excellence that they have in it.

Q Have you looked for any other sources of trust services?

A We can—we can get those services from other banks, but they want our account. They want our bank account.

Q Well, then, you also would pay for services rendered, [2104] wouldn't you?

A I'm not so certain about that.

Q But if you did want additional trust services, there is no shortage of people who would offer them to you, is that correct?

A In New Haven?

Q Wherever you—you would have to go? Do you know whether the Union Trust offers them?

A They're capable of handling our retirement trust, but not our total investment.

Q You don't think the Union—

A I wouldn't use them for our entire portfolio.

Q You don't think the Union Trust is large enough?

A That, I can't tell you. That, I don't know. But I—I do know that the CBT would like to have the account, but their trust department's located in Hartford.

Q Well, the Union Trust is a larger bank, of course, than the First New Haven and Connecticut Bank and Trust Company. Do you think that merely making these two banks larger by merging would—

A Would make them better?

Q Yes. Do you have any knowledge that Connecticut National Bank has an excellent trust department?

A No, I would think that it just stands to reason when [2105] you merge or when they double—I don't know the size of either one's trust, but if they doubled the portfolio they can afford, people—or experts in the field much better than they can today. I think if—as I mentioned before—if we were to give our entire investment account to the First New Haven tomorrow in the absence of an investment counselor, that they could go out and perhaps secure a higher and better or—not necessarily better, but more people, more people in their trust department, on the strength of that. Because it would probably double the volume of their trust department. I'd venture to guess that it is not as large as our investment, but I don't know.

Q You are assuming, then, that Connecticut National Bank has a large trust department, also, is that correct?

A No, I'm assuming the combination, the growth of—my whole assumption, I guess, are on the fact that if you double the size of a trust department—and I am not certain that this would exactly come out doubling—that you would improve the efficiency and the expertise in that department.

Q You are correct that—that you aren't sure about the size, because Connecticut National does, in fact—does have a much smaller trust department, and that's already in the record.

Are you aware that the Union Trust Company is the [2106] result of a merger of two large banks?

A Yes.

Q And even after that merger you are still not satisfied with its trust department, is that correct?

A Not for our entire portfolio, I would say. But I can tell you this: that as recent as this past twelve—these past twelve months, CBT leases from us in the lower floor, and that's also a resulting bank—they have been in trying to get our investments on—the trust accounts on retirement trust that we have at the Union-New Haven, and they made quite an extensive proposal.

First New Haven came along and made quite an extensive proposal. Our investment analyst, who unfortunately has resigned, declined both of theirs, because first, one was in Hartford, but the First New Haven, he said, does not have the department that the Union-New Haven Trust has, so we still left it there. We left the employees trust in the Union-New Haven Trust, that was his decision, his judgment, and our executive and finance committee abided by it.

MR. BENTKOVER: I have no more questions.

THE COURT: From your last statements that you made, whether or not you would have switched to Union Trust to First New Haven—First New Haven, of course, is speculative, but is it your opinion that [2107] they couldn't even compete because Union Trust did not—I'm sorry, that Union Trust had better service in that area?

THE WITNESS: Yes. This, your Honor, is in a written report that we have, probably still have record, after a study in depth by Mr. King, our investment counselor, who we now lost. Now we abide by his recommendation in that regard notwithstanding the fact that the president of our organization would have loved to have seen this go to the bank to which he's a member, to which he's a member of the board.

THE COURT: Another question: You have been in the New Haven area for some time?

THE WITNESS: Since '66, your Honor.

THE COURT: And I suppose you have had occasion to look over the type of community that it is?

THE WITNESS: To a degree, I would say.

THE COURT: Well, I know, because I live there, but perhaps the record ought to indicate from someone the type of community that New Haven is, that is: fluorish-

ing in business and different types of industry, or is it not? Could you describe New Haven as a businessman?

[2108] THE WITNESS: As a western Kansas businessman that came to the east, I see New Haven, except for the airport problem, which is really been a hindrance, as one of the better planned, the more aggressive communities in growth and—by plan, its urban renewal and urban redevelopment is the showplace of the nation, as I recall here a few years ago, I think more—more dollar per capita has been poured into that city than almost any other city in the nation.

THE COURT: Are there many industries located in New Haven?

THE WITNESS: Yes, in the peripheral areas, or adjacent cities, North Haven, for instance, is booming with industry, and they're coming in very rapidly. We, of course, being a fraternity society, are not as involved, your Honor, you know, with the every-day-to-day business growth, but, except by the newspapers and what have you, but I can't help but feel that if redevelopment ever will work, it's working in New Haven and the surrounding areas.

THE COURT: Have you had occasion to discuss with other businessmen in the City of New Haven the situation with respect to the banking capacities of the banks in the City of New Haven?

[2109] THE WITNESS: Not too much, your Honor, because we don't—well, we don't borrow, for instance, we're not in a borrowing market, which—the commercial—private industry, for example, I can see that this would be a tremendous boom to someone, the merger, because it would increase their limits of borrowing, but we aren't in that position as a member of the Knights—or as the Knights of Columbus. But I'm on the board of directors of a bank out in Kansas, and I do know what the value is of larger borrowing-lending capacity, and I think this would be the great advantage to this merger perhaps to the industry or perhaps to the growth of industry in the greater New Haven area.

THE COURT: Would you like any redirect?

MR. McENERNEY: I have nothing.

THE COURT: Can you think of anything, Mr. Reycraft?

Anyone from the government?

MR. BENTKOVER: No, your Honor.

THE COURT: You are excused, sir.

THE WITNESS: Thank you.

(Witness excused.)

[2110] LEON J. SIMKINS, called as a witness, having been first duly sworn by the Clerk of the Court, was examined and testified as follows:

THE CLERK: Will you state your full name and address for the record.

THE WITNESS: Leon Simkins. My local address is the Crown Towers Apartments, New Haven.

DIRECT EXAMINATION

BY MR. BARRETT:

Q Mr. Simkins, will you tell us where you are employed?

A By Simkins Industries, 259—our main office and plant is at 259 East Street in New Haven.

Q What is your position with Simkins Industries?

A I'm president and chairman of the board.

Q How long have you held the position of president?

A Approximately nine and a half years.

Q Would you give us a description of what Simkins manufactures?

A We're in the packaging business. We manufacture paperboard and we manufacture various types of paperboard containers, known as folding cartons and corrugated shipping containers and rigid paper boxes.

Q Could you give us an idea of the number of [2111] employees that you have and the approximate amount of your sales in the most recent year?

A Our sales amount to approximately 30 million dollars. We employ approximately 1500 people.

Q Where do you maintain your manufacturing plant?

A Well, our main office and our largest plant is in

New Haven. In addition to that we have plants in Ridgefield, New Jersey, West Hempstead, New York, Philadelphia, Pennsylvania, Baltimore, Maryland, Landrum, South Carolina, Miami, Florida, and San Juan, Puerto Rico.

Q Did you ever make a cash tender offer to acquire Federal Paperboard Company?

A Yes.

Q What was the price of that tender offer?

A Well, we made a tender offer to buy 500,000 shares of stock at $35 a share, which amounted to 17½ million dollars.

Q Did you have to seek bank financing to give you the necessary funds to go through with that deal?

A Yes.

Q Did you consult First New Haven National Bank with regard to that particular deal?

A Yes.

Q Was First New Haven able to provide all the money [2112] that you needed to go through with this deal?

A No. They were unable to provide the full amount because it greatly exceeded their loan limits, and, in addition, they didn't have experience with tender offers at that time.

Q So what did you do then?

A We contacted the First Pennsylvania Company in Philadelphia, and we arranged to borrow most of the money through them. The First National Bank of New Haven participated to a smaller extent with them.

Q Did this require you to go down to Philadelphia at all?

A Two times.

Q Do you find it convenient to deal with several banks when you are borrowing money, or would you prefer to deal with one bank, or what?

A Well, our company has always, until this instance, dealt with the First National Bank, and, of course, it's much more convenient, since this is our main office, to deal with them.

Q You have always dealt with First New Haven?

A First National, yes. The first instance that we

dealt with the First Pennsylvania Company was when this tender offer came about, and because of that we established [2113] banking relations with them in addition, but, of course, we preferred banking locally:

Q Have you ever resorted to participations like that one when making other acquisitions? Have you made any other acquisitions in which you had to go to more than one bank?

A Well, we acquired another company, a paper mill in New Jersey, several years ago, and we arranged the financing for the purchase. That was a cash purchase, too, also from the First Pennsylvania Company, because the amount was somewhat more than the First National Bank of New Haven could loan.

Q Have you ever purchased a small medical instrument company?

A Yes.

Q Did that particular company, at the time of your purchase, and does it now have branches abroad and customers abroad?

A Well, it doesn't now, but it had. At the time, it had branches in Germany and in England.

Q It does not now, though?

A No, no.

Q If we might go back to that point when it did have branches abroad, did you need credit information about [2114] people to whom your small instrument company sold its products?

A There were instances that we did.

Q Where did you go at that time to get this information?

A At that time we contacted the Chase Manhattan Bank, who had departments that furnished that information. They also had branches in the area with which you can do business overseas.

Q Was First New Haven National Bank's international department sufficiently large to satisfy your needs?

A I didn't believe it was.

Q Does your company presently have any pension plans?

A Yes.

Q How many do you have?

A Three.

Q Does a bank handle these pension plans, or do you handle them internally?

A As far as investment decisions, we have our internal committee handle it, but we have been considering having outside counsel do it.

Q If this merger of First New Haven National Bank and Connecticut National Bank were to be consummated, and if the trust departments of the two banks were to be [2115] combined, would you consider discussing with First New Haven the possibility of letting them serve as counsel to your pension plans?

A We would certainly consider it, because we are going to make a decision; in fact, we're considering the First Pennsylvania Company now.

Q Do you have any opinion as to whether interest rates on loans are sometimes lower at larger banks than at smaller banks, or is it the reverse?

A Well, it's just my feeling we've been fortunate, when we've had to borrow money, to borrow at the prime interest rate, but I always have felt that generally not only is the money easier and more obtainable in larger banks but generally you get lower interest rates.

Q Is the stock of your company listed on any of the national stock exchanges at the moment?

A Yes, the American Stock Exchange.

Q Could you tell us whom you have as your transfer agent of your stock?

A The Hartford National Bank.

Q Could First New Haven National Bank give you this Service as transfer agent now, to your knowledge?

A I don't believe so.

Q If, after the merger was consummated—as [2116] previous testimony—these two banks were able to qualify as the stock transfer agent, do you think that this would be helpful to you or any other members of the business community?

A It would be helpful as far as being a local institution that can handle it. Of course, we prefer it with the relationships that we've had with the Hartford bank,

who is the transfer agent, and that's the only relationship we had with them.

Q Do you know whether the Hartford and New York banks send representatives in this area to call on your company or any other manufacturing firms?

A Well, from time to time we've been contacted by them.

MR. BARRETT: Thank you very much, sir.

THE COURT: Mr. Reycraft?

MR. REYCRAFT: No, sir?

THE COURT: Mr. Clark?

MR. CLARK: Yes, sir.

We are taking turns here.

THE COURT: That's good.

CROSS-EXAMINATION

BY MR. CLARK:

Q Your operations in New Haven, New Jersey, New York, [2117] Philadelphia and Baltimore—is that correct, among others?

A Yes.

Q Do you have banking relationships there, too?

A No, except in certain instances; we keep payroll accounts where we pay by cash or for convenience having to pay cash accounts.

Q How much did you have to borrow when you made your 17½-million-dollar tender offer?

A I think we arranged to borrow—I think it was approximately 14 or 15 million dollars.

Q Certainly well in excess of the lending limit of First New Haven?

A Yes.

Q I do not know whether you know what the lending limit of the bank would be if this merger went through, but it would be well in excess of that, too, wouldn't it? Do you know whether or not that 14—

A No, I don't know if it would be in excess or not, no.

Q How many trips did you have to make down to

Philadelphia with respect to your borrowing from First Pennsylvania?

A I would say about half a dozen.

Q Are you continuing to make them?

[2118] A Pardon me?

Q Have you made any recently?

A Recently?

Q Yes.

A For the purpose of—for what purpose?

We have a plant in Philadelphia.

Q I was speaking of your trips to that bank in Philadelphia.

A No, no, I haven't been in the last—more than the last year, year and a half.

Q Did you combine your trips to the First Pensylvania Bank with other business that you had to do with respect to your plant in the Philadelphia area?

A I don't recall. But the prime purpose of going down there was to arrange the financing. If I did—stopped at our other plant, it wasn't the prime purpose at that time. This was our foremost situation.

Q You are presently doing your pension plan investment in house; is that correct?

A Yes.

Q How many people are employed in this activity?

A Three. We have three people.

Q Where did these people come from?

A They're employees of our company.

[2119] Q Were they experts in this field when you hired them?

A No. In fact, that is the reason why we're considering outside. We think we may be able to do better with outside counsel.

Q How long have these people been doing this work for you?

A For approximately five or six years.

Q You said you are considering First Pennsylvania also for this service?

A Among others.

Q What other banks are you considering?

A That is the only bank that we've considered up

to now. We've considered various independent counseling firms and several brokerage firms in New York.

Q In New York?

A Yes.

Q All these other people in New York?

A Outside of First Pennsylvania?

Q Yes.

A Yes.

Q You are not considering any other Connecticut banks, then, is that right?

A We haven't yet, no.

[2120] MR. CLARK: That is all, your Honor.

THE COURT: Redirect?

MR. BELL: No, sir.

THE COURT: Mr. Simkins, may I ask you a couple of questions.

There seems little question that you are one of the larger businesses in your field—

THE WITNESS: No, unfortunately that's not so. There are many paper companies much larger than we are.

THE COURT: But in Connecticut?

THE WITNESS: Connecticut, we're one of the larger ones, yes.

THE COURT: Were you always large? I mean did you inherit this or did you start small and grow over the years?

THE WITNESS: Well, our company—we—I and several members of my family acquired control of this company in 1963, but this company was originally established in 1906, so it's an old—

THE COURT: Approximately what were it sales in 1963; do you recall?

THE WITNESS: '63 were approximately—I think they were approximately 20 million dollars.

[2121] THE COURT: Now they are what?

THE WITNESS: Thirty.

THE COURT: During the years you have been in business in New Haven, have you talked to other businessmen about the banks in the City of New Haven?

THE WITNESS: No.

THE COURT: I have no further questions.
MR. BARRETT: No, sir.
THE COURT: You are excused, Mr. Simkins. Thank you.

(Witness excused)

MR. McENERNEY: Mr. Robison, please.
[2122] FREDERICK M. ROBISON, called as a witness, having first been duly sworn by the Clerk of the Court, was examined and testified as follows:
THE CLERK: Will you state your full name and address for the record?
THE WITNESS: Frederick M. Robison, 354 Moose Hill Road, Monroe, Connecticut.

DIRECT EXAMINATION

BY MR. McENERNEY:

Q Where are you employed, Mr. Robison?
A I'm employed by Warnaco, Inc. in Bridgeport.
Q What is your position with Warnaco?
A I'm treasurer.
Q How long have you held this position?
A Position of treasurer since February of this year.
Q Could you describe your duties as treasurer of Warnaco?
A I have full responsibility for financing of the company, insurance and taxes. Obviously, reporting to the president.
Q Could you give us an idea of the sales volume of Warnaco?
A This year it will be approximately 300 million.
Q And the number of divisions of Warnaco?
A Seventeen.
[2123] Q And approximately the number of employees in the Bridgeport area of Warnaco?
A In Bridgeport, around 1500.
Q Where are some of your other affiliates located? Your subsidiaries?
A Hathaway Shirts in Waterville, Maine; White Stag Sportswear in Portland, Oregon; Puritan Sportswear is

in Altoona, Pennsylvania; Gus Meyer, Stores in New York; Jerry Silverman in New York. I'd say most of the others are centered in New York.

Q And where is the head office of Warnaco located?

A Bridgeport, Connecticut.

Q Do you have an account at the Connecticut National Bank?

A Yes, we do.

Q Is this what you would call a disbursing account?

A We have several accounts, we have some payroll accounts and we have two principal disbursing accounts, one for our Warner's division which is located here, and one the corporate disbursing account, the main corporate account.

Q Does Warnaco prefer to do its banking business locally where possible?

A We have always followed a policy of favoring the local banks. We started in New York but moved to Bridgeport [2124] in about 1885, and we have kind of grown up with the banks here.

Q Are you borrowing at the present time from Connecticut National?

A Yes, we are.

Q Could you describe your borrowing situation with Connecticut National?

A Right at the moment we're borrowing two million dollars from them, which is about $250,000.00 less than we could. In total, we're borrowing about 29 million dollars as of today.

Q You mean from all banks?

A From all banks and commercial paper.

Q Does your company use lock box service?

A Yes, we do.

Q Could you describe what a lock box service is?

A A lock box service is where a bank picks up from the post office checks that have been made out to the company, deposits them directly in the account, then forwards to you photocopies of those checks for our bookkeeping records.

Q Now, who offers this service to you at the present time?

A At the present time, we're utilizing post office box and lock box banks in Boston, Pittsburgh, Atlanta, Chicago, Portland, Oregon and Los Angeles.

[2125 Q It's never been offered, but I assume if we insisted, they could do something like it, but I don't think they do.

Q Do you ever request that funds be transferred from lock box to Warnaco?

A This is done on a daily basis from each of the boxes and transferred directly to our disbursing account here in Bridgeport.

Q Is this done by telex or bank wire or what?

A I'm not sure they have bank wire, I don't think they do, but it is done through the Federal Reserve and in some cases, where there is a correspondent relationship, the transfer will be done in the New York bank, for instance, between the account of the outlying bank and the Connecticut National.

Q Does Warnaco have a pension plan?

A We do.

A And could you give us a general idea of the number of employees that it covers?

A About 5,000.

Q Now, is this pension plan covering your Connecticut employees?

A This covers certain of our divisions. It covers the corporate Slimwear, which is our Warner's Division here, Packaging, Puritan, Hathaway and White Stag, some of our [2126] small divisions are not in it.

Q Can you tell us where that pension plan is placed at the present time?

A Well, we have one plan which is supported by three trusts. Two of the trusts are here in Bridgeport, one with the Connecticut National, one with City National, and one is on the west coast with Bank of California.

Q Do you believe that if this merger were approved, that a larger trust department could be of assistance to Warnaco?

A It would alleviate some of my worries. We have a service where we measure the performance of our particular bank, and Connecticut National has done pretty

well, really, in this service. But I am a little bit leary about what will happen after Fred Strong retires, I don't see any backup for Fred Strong in the bank. I would hope that larger bank would be able to develop some backup for the trust man.

Q He is the head of the trust department?

A He is the head of the trust department, he makes investment decisions. They do have other people who administer them, but—

Q To your knowledge, does Connecticut National Bank have corporate service group?

A They have a—one fellow, Tyler Baldwin, who calls on companies, but doesn't really offer what I would call corporate [2127] services.

Q Could you explain to the Court just what corporate services group would be considered?

A I'd call them a financial consultant type people. This is, for instance, when I first came with Warnaco, which is back in '66, I got involved practically right away in issuing stock for the company. Not knowing a heck of a lot in issuing stock, since my background was taxes, I tried to find out something about it, I went to our investment bankers, I went to our New York banks, I went to Northern Trust, I asked the people here at Connecticut National and at City Trust, and—at that time City Trust, and really got a pat on the back from the locals, I got no advice at all.

Q Do you think that a larger bank as a result of this merger could be of assistance to you in this area?

A They could be if they offer the services that we're looking for, and I would hope that a larger bank would offer these services. This is an area where—we're a growing company, we have constant need for this type of thing, we'd like to check with people, it's a heck of a lot easier to walk up about four blocks and sit down and talk about than to go down to New York, for instance.

Q Has Warnaco ever had computer services performed for it by a bank?

[2128] A We work with Chemical Bank in establishing a forecasting program. I'd say it took us six months,

at least, working with them to get what we really wanted. We haven't really used it to any great extent in the last year and a half, it is just—distance—distance, basically, we do have a terminal, but the inputs are such that it requires discussion on how to put it in the machine.

Q Could a larger bank in Bridgeport be of assistance to you here?

A It could be, sure.

MR. McENERNEY: That's about all I have, your Honor.

THE COURT: Mr. Reycraft?

THE COURT: Mr. Bell?

One of the plaintiff's counsel?

CROSS EXAMINATION

BY MR. REA:

Q Mr. Robison, would you characterize your company as being a national company in its scope of operation?

A Yes, sir.

Q And can you tell us what the credit standing, the overall credit standing of your corporation is?

A We're rated prime on our commercial paper, we do not have a debt rating, we have been told by our investment bankers [2129] we'd probably be a B double A.

Q Are those good ratings?

A Prime is good, and the commercial paper B double A, I'd say is average or a little above average.

Q And at the current time do you bank with a total of ten banks?

A We have credit relationships with about 12. We bank with many more. We do have depository—payroll accounts, small personal accounts, petty cash accounts at the very plants, et cetera.

Q That was my next question. Are these banks generally located near some of the subsidiary companies of Warnaco?

A Yes.

Q And generally, how would you characterize the

banking alternatives which are available to your corporation?

A Alternatives? I'm afraid I don't get your question.

Q Well, in terms of the type of banks, the number of banks to which you could go for your banking needs, how do you view these banking alternatives?

A Oh, I think there are many banks in the country that could satisfy our needs.

Q Have you, at least in the time you have been with Warnaco, experienced any difficulty in securing the banking services which your company has needed?

[2130] A Overall? No.

Q Have you had any complaints regarding the quality of the existing banking services which your company derives?

A Complaints from whom? From me?

Q Complaints from you, yes.

A I have occasionally on how the money is transferred in and not getting fast enough service, perhaps. Not having this availability close by, but overall, obviously, we're a national company, we can get banking services in Chicago or New York or wherever.

Q Mr. McEnerney questioned you on direct about various services which might be available from the consolidated bank. Do you have any personal knowledge as to whether or not the consolidated bank will offer an improved trust account, improved trust services, rather, improved corporate services, improved lock box or improved computer services?

A No, sir.

Q Assuming that the consolidated bank could, in fact, offer improved or additional services, would you automatically avail Warnaco of those services?

A I would avail them of the services if I felt the services were equivalent to what we could receive elsewhere.

Q In other words, you would perform an evaluation measuring what the consolidated bank could offer as against what [2131] other banks could offer, is that right?

A Of course, compare them with our lead bank, which

is First of Boston or Morgan or Chemical, all of which we do business with.

Q Are any of your bank relationships with mutual savings banks?

A We have—

Q That is: the corporation as such?

A Corporate? No. We have a charitable fund. We do have some deposits at some of the savings banks.

Q But the corporation or any of its subsidiaries as entities do not deal with mutual savings banks, is that correct?

A That is correct.

MR. REA: We have no further questions.

MR. McENERNEY: I have nothing, your Honor.

THE COURT: Did you have occasion over the years to talk to businessmen in the Bridgeport area?

THE WITNESS: I talk to them about every day, you mean—about any specific item?

THE COURT: I'm going to get to that. Do you talk business and business conditions?

THE WITNESS: Oh, sure.

THE COURT: Do you have occasion to discuss the banking situation here in Bridgeport with Bridgeport [2132] based banks? Do businessmen ever discuss whether they are equipped to satisfy the businessman's needs here in Bridgeport or whether—

THE WITNESS: I would say that it is more of a discussion of what banks are here and what banks seem to want to come into the Town of Bridgeport, rather than the specifics of: can this bank give you a certain service.

THE COURT: All right. Thank you.

Anything further?

MR. McENERNEY: I have nothing else, your Honor.

MR. REYCRAFT: Could I ask some questions about that, your Honor, I'm not sure I understand?

BY MR. REYCRAFT:

Q Do you mean banks from outside the area who want to come into the area, is that what you mean?

A Yes, sir.

Q Banks from New York, for example, who want to come in?

A Not so much New York. We're talking basically Hartford, Connecticut National—or Connecticut Bank and Trust and Hartford National, they're becoming very active in this area.

Q And when you—when you just testified about the conversations you have had with businessmen in the area about [2133] banks that want to come in, you mean the banks from Hartford that want to come in and get business from the Bridgeport area, is that what you meant?

A Yes, sir.

MR. REYCRAFT: Thank you.

THE COURT: Are you starting to feel that pressure as a businessman in Bridgeport?

THE WITNESS: Very definitely. Of course, I'm sure it's been brought out in the trial that Connecticut Bank and Trust bought a small bank on the east side of Bridgeport, so now they have an office, now they're going to start canvassing the area. Hartford National's moving into New Haven County. As a matter of fact, our secretary has been approached on the certificate business, the registrar and the transfer agent business.

And he's now narrowed the choice to two people, Hartford National and First National of Boston.

THE COURT: Thank you.

(Witness excused.)

MR. McENERNEY: That's all we have, your Honor, today, I apologize.

THE COURT: Don't apologize.

MR. McENERNEY: I'm trying to schedule it a little [2134] better.

THE COURT: Can't score counsel for calling only six or seven witnesses in one day, I think that's doing pretty well. You had no way of knowing that the cross examination might take five minutes or twenty minutes.

MR. McENERNEY: That's right.

THE COURT: So I think you did pretty well.

Now, what's our situation from here on out? Can someone speak to that?

MR. REYCRAFT: Yes, your Honor, we have a stipulation concerning calls in Connecticut by New York banks which has been approved by all three parties which I would like to hand up to the Clerk.

THE COURT: Yes. That can be marked.

MR. REYCRAFT: That will be marked as a defendants' exhibit.

THE CLERK: As an exhibit, or simply for the file?

THE COURT: Is this in lieu of calling witnesses for the defendant?

MR. REYCRAFT: Yes, your Honor.

THE COURT: Or in behalf of the defendants?

MR. REYCRAFT: It is.

THE COURT: So it should be marked a defendants' [2135] exhibit.

MR. REYCRAFT: Fine.

Also, at one point—

THE COURT: Excuse me, I want to get the number on that.

THE CLERK: 83.

THE COURT: All right.

MR. REYCRAFT: At one point when I believe your Honor asked a question about the status of counties in the State of Connecticut, and the State of Connecticut Register and Manual for 1971 says in Section IV under: Counties, "County government was abolished effective October 1, 1960, counties continue to prevail as geographical subdivisions," and that's the end of the quote, and Mr. Clark agrees that that's accurate, and I am not quoting from anything, but I am saying that this indicates that counties really have no meaning politically in the State of Connecticut, only as a descriptive geographical subdivision.

THE COURT: In the meantime, I did some research, and obviously what happened is, I recalled the—political entity of the county losing vitality. But obviously the geographic aspects of it has not, [2136] because I notice that the Connecticut General Statutes set forth the towns and cities within each county; and secondly, it just came as a surprise that Meriden was New Haven County, I thought that was not so, but I find that it is.

So there have been some changes in the county concept, but the witness was quite right with respect to geographic locations within each county, they are still viable and I so recognize.

MR. REYCRAFT: Yes, sir. I believe we may have another stipulation. Not at the moment, Mr. McEnerney may have another witness.

MR. McENERNEY: I don't have any more today.

MR. REYCRAFT: I don't mean today.

[2137] MR. McENERNEY: I expect to have two on Wednesday, but they will be of the same type and they will be very short.

MR. REYCRAFT: We have one on Wednesday, your Honor.

THE COURT: So we have no business tomorrow?

MR. McENERNEY: No, your Honor.

THE COURT: Right?

Monday I have motion calendar, Tuesday I believe I am taking the hearing that I had scheduled for Wednesday. I will take that Tuesday, and I will resume this case Wednesday; is that correct?

MR. McENERNEY: Yes, sir.

THE COURT: Mr. Bell?

MR. BELL: I had one more item of business, but I will get to it after—

THE COURT: Is there any doubt that this case will be concluded next week, at least the testimonial aspects?

MR. REYCRAFT: I think there is no doubt at all, your Honor; we will conclude it in one day.

THE COURT: Fine.

Now Mr. Bell.

[2138] MR. BELL: Pick up two other loose ends, perhaps.

THE COURT: Yes.

MR. BELL: The other day we indicated we were going to submit a memorandum to your Honor on the background of the Connecticut Bank Holding Company Act and its origins, and I have that. I would like to submit it now.

If I could, perhaps I could clear up one thing that I may have made more difficult than it needs to be.

I think your Honor has a copy—I hope you have a copy—of the Masters' final report. I indicated sometime last week that we had ascertained there was an error in that in that one of the 25 corporations listed as not being a customer was a customer. That was the Town of North Haven, and that list is on page 26 of that report, if your Honor has it. I think that is Defendants' Exhibit 61.

THE COURT: Correct.

MR. BELL: Mr. Clark asked me in open court if that minor error would effect the dollar figures which appear on page 27. In other words, [2139] that fourth full paragraph down there recites that of these 25 corporations 17 were customers of the Hartford banks, and those 17 people had aggregate deposits of a certain figure.

THE COURT: I changed that 17 figure to 16.

MR. BELL: The problem is this:

I was incorrect when I said the numbers would not change, because the one erroneous customer we have in question did happen to be a customer of either Hartford National or Connecticut Bank & Trust Company. In other words, if I am to delete North Haven from the list of 25, it would be more appropriate also to delete their deposit totals from the figure of four million thirteen or five million eight eighty-seven that appeared there.

The difficulty with that, your Honor, is that I can't, because the banks in question are not willing to tell what that depositor's balance was, because they feel that it is a matter of some confidence. So we are in a little bit of a box there.

So I think the only thing to do under those circumstances is simply recognize that the figures [2140] that are presented, the figure of $4,013,962 and the other of $5,887,526, may take into account one entity, customer, who happened at that time to be a customer of both First New Haven and one of the two Hartford banks.

THE COURT: All right. How shall we mark it?

MR. BELL: I had sort of recaptioned the list back on page 26, which really is the way to do it, because defendants have submitted the Special Master list of 25 corporations. I would leave North Haven on that, and at the top of page 27, where we state none of these corporations are presently a corporation, I would simply add "except the Town of North Haven." The numbers then relate to that description.

If I could identify their deposits, I would be happy to correct the actual numbers, but I am unable to because the banks will not disclose, so it simply becomes a question of recaptioning figures, if your Honor understands.

I am sorry for that error. It was inadvertent.

THE COURT: All right.

Probably discuss briefs and the kind of briefs and the briefing schelule later on, but one [2141] message did get to me: My law clerk said somebody requested when I would expect oral arguments.

Ordinarily, I would like oral arguments first and briefs after, but I have been thinking about that. Unless somebody has a strong preference, I can see some advantages in having oral argument after I read all the briefs, so that if I have any questions after reading the briefs I have live lawyers in front of me to answer it, rather than write off letters to each of you to respond to a particular question.

The other alternative is to have oral arguments before and after. If you feel we should, I will do it, but somehow I think I will get more out of it if I do all my research, get the transcript absorbed, read the briefs, reply briefs, and then meet with the attorneys.

MR. REYCRAFT: Whatever is most helpful to the Court, your Honor.

THE COURT: I will give you one alternative, and that is, if you like, to have arguments before as well as after; I will sit here and listen to you. But I just feel I will get more out of it if I wait.

[2142] MR. REYCRAFT: That is fine with us, your Honor.

MR. CLARK: Yes, your Honor.
THE COURT: All right.
Have a good few days, and we will see you on Wednesday.
The court is adjourned until Monday.

[2143]

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF CONNECTICUT

Civil Action No. 14583

UNITED STATES OF AMERICA, PLAINTIFF

-against-

THE CONNECTICUT NATIONAL BANK and THE FIRST NEW HAVEN NATIONAL BANK, DEFENDANTS

-and-

WILLIAM B. CAMP, COMPTROLLER OF THE CURRENCY, INTERVENOR

United States Court House
Bridgeport, Connecticut
November 15, 1972

Before:

HON. ROBERT C. ZAMPANO,
United States District Judge

[2144] Appearances:

DEPARTMENT OF JUSTICE,
Antitrust Division,
Washington, D. C.
BY: JOHN W. CLARK, Trial Attorney,
FRANK N. BENTKOVER, Trial Attorney
-and-
KELLEY V. REA, Trial Attorney

Messrs. CADWALADER, WICKERSHAM & TAFT,
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BY: GEORGE D. REYCRAFT, ESQ.,
JOHN BOYER, ESQ.
-and-
HAVEN ROOSEVELT, ESQ.

Messrs. PULLMAN, COMLEY, BRADLEY & REEVES,
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BY: HUNTLEY STONE, ESQ.
-and-
GROVE W. STODDARD, ESQ.

Messrs. GUMBART, CORBIN, TYLER & COOPER,
205 Church Street
New Haven, Connecticut
BY: RICHARD G. BELL, ESQ.

UNITED STATES TREASURY DEPARTMENT
15th and Pennsylvania Avenue, N. W.,
Washington, D. C.
BY: CHARLES H. McENERNEY, JR., Trial Attorney
-and-
FORD BARRETT, Trial Attorney

[2145] THE COURT: Are the parties ready to proceed?

MR. CLARK: Yes, your Honor.

MR. REYCRAFT: Yes, your Honor.

MR. BELL: Your Honor, as a matter of first business, we have a stipulation to present to the Court with respect to testimony that would have been elicited by three representatives of three Boston banks had they appeared, and the Government has a copy of the stipulation and has consented to it, if I may present that to the Court.

This is in lieu of calling the witnesses.

THE COURT: Yes. It may be filed. The Court appreciates the cooperation of counsel in expediting the case along these lines and also considering the inconvenience it may have been for these men to travel here to this District Court.

MR. BELL: I might add the stipulation mentions no figures, but there are figures in the Master's report that relate to these Boston banks.

Mr. Hagen.

THE COURT: This may be a technicality, but we might as well straighten it out.

All the exhibits that Attorney Reycraft has introduced have come in for both defendants?

[2146] MR. REYCRAFT: Oh, yes, your Honor, absolutely.

THE COURT: And all the evidence that evolved from witnesses you call are for both defendants?

MR. REYCRAFT: Yes, your Honor. I am here on behalf of both defendants, and evidence has been for that purpose.

THE COURT: Mr. Bell, you are here for both?

MR. BELL: Yes, your Honor, that is true, and also with respect to Mr. Morris.

JAMES E. HAGEN, called as a witness, having been first duly sworn by the Clerk of the Court, was examined and testified as follows:

THE WITNESS: James E. Hagen, West Avon Road, Avon, Connecticut.

THE CLERK: Thank you. You may be seated.

DIRECT EXAMINATION

BY MR. BELL:

Q Mr. Hagen, what is your present position, sir?

A I'm the Bank Commissioner of the State of Connecticut.

MR. BELL: Your Honor, if I may observe, Mr. Hagen is here pursuant to a subpoena issued by me, and is accompanied by Mr. Bobby Lapp of the Attorney General's office, and I would request the Court that Mr. Lapp may sit at counsel's table during—

THE COURT: Yes.

Q How long have you been Bank Commissioner of the State of Connecticut?

A I started office in March of last year.

Q So that is approximately eighteen months, sir?

A Yes, sir.

Q How did you become State Commissioner?

A I was named by the Governor.

[2148] Q That is an appointive office?
A Appointed, yes, sir.
Q Is there a term to the appointment?
A There's a four-year term, at the discretion of the Governor.
Q Do you have a staff or a department working for you?
A Yes, sir.
Q What is its name, Mr. Hagen?
A Banking Department.
Q Could you tell us approximately how many people are in the Banking Department?
A We have approximately 85 to 90.
Q Your duties and those of your department set forth in the Connecticut general statutes?
A Yes, sir.
Q Do those duties generally relate to financial institutions?
A Yes, sir.
Q Could you tell us what kind of financial institutions you deal with?
A Well, primarily under our control are the state banks, which would mean the commercial banks, savings banks, savings and loan associations, or lending—small loan groups, credit unions and so forth, and truth in [2149] lending, of course, the Truth in Lending Act.
Q Could you give me a general description of your duties and those of your department as they relate to state commercial banks?
A Yes, sir. They—we, first of all, assist the Commissioner in—when a new bank is formed, and we also examine the banks; in the course of a year, every bank is examined.
Q Your duties include any responsibility with respect to the formation of new national banks?
A No, sir.
Q Do they include any responsibility with respect to the formation of new state commercial banks?
A Yes, sir.
Q What duties do you or your department have with respect to the formation of a new state commercial bank?

A When someone wishes to form a new state bank, they come into our office and make their application to us, or before they make their formal application they sit with us and go over the details of it, and we help them all along the line until they're ready for representation to the Banking Commissioner.

Q Does your office review those applications?

A Yes, sir.

[2150] Q Do you make investigations with respect to the applicants?

A Yes, sir.

Q Do you give final approval or take final action with respect to an application?

A The Banking Department does not. The Banking Commission gives the final approval.

Q Banking Commission?

A Yes, sir.

Q Will you tell us what the Banking Commission is.

A The Banking Commission is composed of three men. One is myself, and the other is the Comptroller of the State, and the Treasurer of the State.

Q You are a member of that Commission?

A Yes, sir.

Q Is that by virtue of your office as State Bank Commissioner?

A That's right.

Q I take it your department does the staff work for the State Bank Commission?

A That is correct.

Q A party wishing to form a new bank makes an application for that purpose; is that correct?

A Yes, sir.

[2151] Q To whom does he submit that application?

A It is submitted to the Banking Department.

Q That is your department?

A Yes, sir.

Q Do you have forms available for this purpose?

A We do.

Q Are those forms prepared by your department?

A Yes, sir.

Q I would like to show you Defendants' Exhibit 7, a

copy of Defendants' Exhibit 7, and ask you if you can identify that.

A Yes, sir.

Q Is that part of your application, sir?

A Yes, sir, it is the first page, I'd say.

Q That is the first page; it is not the entire application?

A Right.

Q Let me show you another document, Commissioner, and ask you if you can identify this document.

A Yes.

Q Could you tell us what that is.

A This is the application.

Q That is the entire application form?

A I would say yes. It appears to be.

[2152] MR. BELL: I would like to offer that, if I may, your Honor. I offer that as a full exhibit.

THE COURT: There being no objection, it may be marked as a full exhibit.

MR. BELL: I believe it is 83.

THE CLERK: It is 84.

MR. BELL: Does your Honor want to refer to this?

THE COURT: Yes, I would.

MR. BELL: Perhaps I could use D-7 for the witness, your Honor. 83 is simply the full application; Exhibit 7 is simply the first page of it.

BY MR. BELL:

Q I would like you to address your attention to the first page of Defendants' Exhibit 83, the application.

I take it that is the application form for the use of people desiring to form a new state bank?

A Correct.

Q It is the one currently in use in your office?

A Yes.

Q I would like you to address your attention to the paragraph on the first page, just above the middle, which reads as follows:

[2153] "This proposed bank is not to be organized for the purpose of selling to, merging or consolidating with any state bank or trust company or national bank now in existence."

Are you familiar with that portion of your form?

A I am.

Q Could you tell me the purpose of this portion of your application form?

A The purpose of that is that—I'll have to just start with the application, itself:

When it comes in, we would expect a bank to be locally oriented and the people will be from the community, and that would remain as such.

Q Do you have a policy with respect to the formation of a new bank which is formed for the purpose of sale?

A No, sir.

Q Does your department permit the formation of a new bank which is formed for the purpose of sale to other than local applicants?

A No, sir, we would not.

Q To your knowledge, has your department ever approved an application for a new state bank which was to be sold upon approval to out-of-town interests?

A Never.

Q To your knowledge, have you ever received an [2154] application that so indicated, that a bank was going to be sold to an out-of-town bank?

A No, sir we never have.

Q To your knowledge, has an application for a new state bank ever been granted in Connecticut in a situation where the new bank was to be sold to a holding company immediately upon formation?

A Not to my knowledge, sir.

Q Have you ever had that situation, sir?

A No.

Q What I would like to know, Commissioner, is what the reaction of your department and the Commission would be if I submitted to you an application for a new state bank and I wrote across the bottom of it "I intend to sell this new bank to a holding company as soon as it is formed."

MR. BENTKOVER: I will object to that question. There is no foundation that Commissioner Hagen or the Commission has established any standards in the case that such an application would be presented, nor is there

any law which provides standards. There is no law issued by Mr. Hagen on the situation in the past.

It would be pure speculation on an application which has not yet been presented.

[2155] THE COURT: I think that would go to weight, not admissibility. Moreover, I think he has already answered the question. He said he would not approve anything like that; based on his knowledge and experience, he would not approve the establishment of a new bank created solely for sale to an out-of-town interest. He has already testified to that.

Have you not?

THE WITNESS: Yes.

THE COURT: What you are doing, Mr. Bell, is asking the same question in a different form. But, if you are leading to something, the objection is overruled.

MR. BELL: Your Honor, I think, in fairness, what I asked him before was whether he would permit the formation of a new bank which was in fact to be sold to another out-of-town bank, and he indicated he would not; and this form addresses itself literally to any state bank or trust company or national bank now in existence, and the form does not address itself to a holding company; that is the sale of a new bank to a holding company. I want to explore that with the [2156] Commissioner.

THE COURT: Objection is overruled. Let's see what he has to say about holding companies.

BY MR. BELL:

Q Do you recall the question?

THE WITNESS: Would you read it, please.

(The pending question was read by the reporter as above recorded.)

Q Do you understand the question?

A I do understand the question.

Q What would be your reaction?

A Reaction would be of complete surprise, because we've never faced such a thing before, and I believe,

with my previously stated opinion on this, that it would be difficult.

Q When you say "difficult," what do you mean by that, sir?

A That we go to great extent to be sure and make the investigation and work on the people who are behind the bank in endorsing the bank, and, if there were to be a change the day after, everything would be thrown out of context and it wouldn't be the same group that applied for the bank.

Q Would you believe that would be contrary to the policy that is expressed in your application form?

[2157] A Yes, sir.

Q But you have never had the particular situation of the formation of a new bank to be sold to a holding company?

A We've never had it, sir.

Q What would be your reaction, instead of my saying to a holding company, if I said I am going to sell this bank to the First New Haven Bank as soon as it is formed?

A Personal reaction?

Q Your reaction as Commissioner.

A We would not—I would look askance and be surprised. But we've never been faced with it, and I would call counsel immediately on it.

Q The policy of your department is not to grant new banks for the purpose of sale?

A Not to grant, that's right, not to grant, that's right.

THE COURT: Was that a policy of long standing prior to your being appointed the Commissioner, or is it something that you put into this application?

THE WITNESS: I don't know if it was there before, your Honor, but I know the present Commission works that way, present Banking [2158] Commission.

BY MR. BELL:

Q Mr. Hagen, let me ask you if the duties of your department include any responsibility to branch applications in general.

MR. BELL: Let me make it more specific. I withdraw the question.

Q Do you have any responsibilities with respect to branch applications for, say, national banks?

A No, sir, we don't.

Q Do you have any responsibilities with respect to branch applications for state banks?

A Very definitely, yes, sir.

Q Tell us generally what your responsibilities and duties are in that regard.

A When an application is given to us from a state—member of a state bank to put a branch in, we immediately—we have a whole questionnaire, of course, for them to fill out with the facts and figures in it, and we do an examination of the area; we check the area, have one of our examiners go out and contact everyone in the area, every bank in the area.

Q Is it necessary to obtain the approval of your office prior to establishing a new state bank branch?

[2159] A Yes, sir.

Q Are there any restrictions on state bank branching in Connecticut?

A Well, there's the closed—the towns that already have—closed towns, that already have the headquarters of a bank there.

Q Would you explain what that restriction is, sir?

A Well, that restriction, itself, is based upon the home town rule—the closed town, rather—where, if there is another—another bank has a headquarters there—

Q You cannot branch in a town where another bank has its home office?

A That's right.

Q What are those towns called, generally, where banks have their home office?

A The phrase is "closed town."

Q What is the action of your department if you receive an application by a state bank to put a branch in a closed town?

A We would advise against it very definitely, because it would be totally removed from the usual practice.

Q It would be contrary to statute, too, I assume?

A Absolutely.

Q Incidentally, does that protection rule apply to [2160] state banks as well as national banks, as far as branching?

A Yes, sir, it does.

Q Leaving aside the question of application I asked you earlier, I would like to know, sir, whether you have an opinion as to whether or not an attempt to enter a closed town by a bank through the use of a holding company affiliate would be contrary to the home office protection rule in Connecticut.

MR. BENTKOVER: I will object. He is calling for a legal conclusion. There is no showing that Mr. Hagen is an attorney or that his opinion would be based on opinions rendered by the State Attorney General.

THE COURT: Yes, I think the objection has merit; but, as to weight, I am interested to hear what the Commissioner of Banking has to say if the situation arose as Mr. Bell points out, so I will take it with the qualification that I mentioned that I will reconsider it later as to weight. I am not interested in his opinions.

Go ahead.

BY MR. BELL:

Q Do you recall the question?

THE WITNESS: Would you please repeat it.

[2161] (The pending question was read by the reporter as above recorded.)

A I have no opinion on it, and I would immediately ask for counsel on such a situation.

Q So you have no opinion on that question?

A That's right.

Q Have you ever been faced with the situation, as State Bank Commissioner?

A No, sir.

Q To your knowledge, has it ever come up in Connecticut?

A Not that I know of.

Q Based on your experience as State Bank Commissioner, what would be the reaction of the home office

banks in a closed town if an outside bank attempted to make use of a holding company affiliate?

MR. BENTKOVER: I will object again. There is no foundation as to what Mr. Hagen's guess as to the opinion of other bankers would be.

(The pending question was read by the reporter as above recorded.)

THE COURT: Do you have an opinion?

MR. BENTKOVER: I do not think that is the question, the last question that was asked.

[2162] THE COURT: Was that the last question? Why don't you rephrase it.

BY MR. BELL:

Q Mr. Hagen, I would like to ask you whether you have an opinion as to the likely reaction of home town banks to the prospect of an out-of-town bank entering a closed town by use of a holding company affiliate; just whether or not you have an opinion.

MR. BENTKOVER: I will object to that question again.

THE COURT: The objection is overruled with respect to that question, because all it calls for is does he have an opinion. Whether he can express one or not is entirely different.

Do you have such an opinion?

A I have an opinion. I'd like to specifiy it.

Q I will ask that opinion. That is my next question.

THE COURT: I will take it over objection, subject to the same qualification as earlier.

What is your opinion?

A My opinion would be that there would be a bugle call of fury from the banks in the area and lawsuits would be flying all over the place.

Q Just a couple of more questions, Mr. Commissioner. [2163] In connection with branch applications by state banks, I take it your office does the investigation before determining whether to grant the application or not?

A Yes, sir.

Q Do you take cognizance of the existence or presence of savings banks in the proposed branch location?

A Yes, sir.

Q Why does your office do that?

A We consider them formidable competitors and they should be considered.

Q To your knowledge, Mr. Commissioner, is there an application for a new bank in the City of Bridgeport now pending before the Commission?

A Pending?

Q Yes

A Yes, sir, there is.

Q Has a hearing been held on that application?

A Hearing has been held.

Q Has a decision yet been rendered?

A No, sir.

Q Just out of curiosity, about how many new bank applications are formally presented during the course of, say, a year, in your experience?

A Experience hasn't been too long, but I'd say five [2164] or six, a pretty good number.

Q Formal applications?

A Yes, sir.

Q Does that represent the total work effort of your office with respect to new applications in the course of a year?

A Well, no, they're usually—that's the amount put through, I'd say, and there would be another equal amount that come in to see us; say another half a dozen groups would be in to see us in addition to that that would be not necessarily completed. They'll be in, and they'll be in a few times, to sit and talk with us, and we will not hear again. But there'd be another six or eight in addition to that.

MR. BELL: I think that is all. Thank you, Mr. Commissioner.

THE COURT: Mr. Reycraft?

Mr. McEnerney?

MR. McENERNEY: Nothing, your Honor.

THE COURT: Government.

CROSS-EXAMINATION

BY MR. BENTKOVER:

Q Mr. Hagen, what was your occupation before you became Bank Commissioner?

[2165] A I was with U. S. Steel Corporation. I was in the department with—I was with the chairman—assistant chairman of the board of U. S. Steel for 25 years.

Q Have you ever been an officer or a director of a bank?

A No, sir.

Q Have you even been employed by a bank regulatory agency prior to your designation as Banking Commissioner of Connecticut?

A No, sir.

Q Did you have any experience in the operation of banks before you were named Commissioner?

A No, sir.

Q Am I correct that the Commission has not established any standards for the treatment of holding companies or particularly with respect to the establishment of banks, chartering of banks?

A In respect to holding companies?

Q Yes.

A That's true, yes, sir.

Q Do you have Exhibit D-7?

A Yes, sir, right here.

Q Mr. Bell read to you one sentence:

"This proposed bank is not to be organized for the [2166] purpose of selling to, merging or consolidating with any state bank or trust company or national bank now in existence."

Wasn't this sentence recently added during your tenure as Bank Commissioner?

A No, I don't believe it was. This has been in there. We have others that we will add—we're going to add later on.

Q Do you have a copy of an application which was used prior to your tenure as Commissioner?

A No, sir.

Q Would you have a copy available in your office?
A I would have one.
Q I believe you—
THE COURT: Would you like him to supply a copy by mail?
MR. BENTKOVER: Yes. We would be interested in obtaining one.
THE COURT: Could you do that?
THE WITNESS: Yes, sir.
THE COURT: Just forward it to, perhaps, Mr. Bell.
THE WITNESS: Fine.
THE COURT: Because you have been called as [2167] his witness. And we can put that in the record.
MR. BENTKOVER: Yes, your Honor.

BY MR. BENTKOVER:

Q I believe you testified that you did want to check into the character and experience of the men who organized a new bank; is that correct?
A That is right.
Q If, after you checked into their character and experience, they later sold that bank to another group of men, did you indicate that that would contravene your standards of review?
A That has not happened, but it would do that, sir.
Q How would that affect you if those original organizers did sell the bank to another group? How do you think you might have been harmed, or the people of Connecticut?
A I can't—I don't follow your question, sir. Could it be rephrased, and I will try to get a hold on it, if I may.
Q You recall that I spoke to you yesterday on the phone?
A Yes.
Q I asked you particularly about this sentence?
A Yes.
[2168] Q You recall that.
When I asked you what the purpose of the sentence was, I think you told me that you did put in a good deal of time and effort in investigating these men?
A Right.

Q Is that correct?
A Yes.
Q If, a year after you investigated the organizers, they sold to another group, you would not have investigated that group; is that correct?
A Yes, we would not have investigated that group. That is correct.
Q So that your intention was to give you knowledge of the men who would ultimately control the bank, so that you could investigate them at the time the bank was originally chartered?
A That is correct, yes.
Q That is the purpose of the clause in this application; is that correct?
A That's true.
Q So that you can investigate the men or group who ultimately will control the bank which you charter?
A Right.
MR. BENTKOVER: We have no more questions, [2169] your Honor.
THE COURT: Redirect?

REDIRECT EXAMINATION

BY MR. BELL:

Q I take it, Mr. Hagen, another purpose of your application is also to assure the formation of local banks for local people?
A Very definitely.
Q And not for resale to out-of-town local interests?
A Yes, sir.
THE COURT: Recross.

RECROSS-EXAMINATION

BY MR. BENTKOVER:

Q Mr. Hagen, with respect to this additional standard of local affiliation, do you require that every single person has an organizer of local affiliation?
A Not every one of them.

Q So that if some have local affiliation and others have affiliation with other parts of the state, you would not disqualify?

A Could I expand on that a little bit in my answer? We want the great—the greatest percentage of them—we look for at least 90 percent, 90 percent of the people, to be locally oriented, living there.

[2170] Q Is this standard something which you have obtained from the Connecticut Banking Law which requires you to apply a local affiliation standard?

A No, sir it is not.

Q Then this is something which you have introduced during your tenure?

A The Bank Commission, the Bank Commission, yes, sir. The Bank Commission has introduced that.

Q During the time you have been Commissioner?

A Yes, sir.

Q You have approximately two and a half more years as Commissioner; is that correct?

A That's true.

MR. BENTKOVER: No more questions, your Honor.

THE COURT: Mr. Bell?

MR. BELL: I have no more questions.

THE COURT: Mr. Hagen, do you know of any pamphlet or book prepared by anyone or someone on your staff, an internal manual, that concerns the topic of the history of banking in Connecticut or something similar?

THE WITNESS: A pamphlet that would cover the background of banking in Connecticut? I have one of our examiners here who's been with us a good while. [2171] Could I ask him that question?

I don't know of one that covers this whole gambut of banking in the State of Connecticut, because it goes back many, many years.

THE COURT: If you do have one, would you send it to me?

THE WITNESS: I sure will.

THE COURT: Or the name of the author, from whom I can obtain a copy.

The second thing is this:

Could you tell me something about mergers of state banks during the course of the last, say, ten years? Can you tell me anything about that?

THE WITNESS: No, sir.

THE COURT: Have there been any mergers of state banks since you have been Commissioner?

THE WITNESS: Not mergers, no, sir.

THE COURT: By "mergers" I mean acquisitions by one state bank of another state bank.

THE WITNESS: No, sir, we have not. We have —if I can go a little bit further, we just had a conversion of a national bank to a state bank. That, I guess, was the biggest operation that we've had.

[2172] THE COURT: What bank was that?

THE WITNESS: This is the Second National Bank, then in New Haven, became a state bank.

THE COURT: Did you have to approve that?

THE WITNESS: Yes, sir, the Bank Commission.

THE COURT: What standards did you use? Why would a national bank want to become a state bank? What reasons did they give?

THE WITNESS: They wanted to convert. They came to us with their particulars, and we gave them a thorough examination and welcomed them.

THE COURT: Did they state their purpose?

THE WITNESS: They don't have to state their purpose, sir; no, sir.

THE COURT: Do you work hand in glove with the National Commission on Banking here in Connecticut?

THE WITNESS: No, sir.

THE COURT: You are excused, Mr. Hagen.

MR. BELL: Thank you, sir.

(Witness excused)

MR. McENERNEY: Call Mr. Fountain, your Honor.

[2173] MICHAEL F. FOUNTAIN, called as a witness,

having been first duly sworn by the Clerk of the Court, was examined and testified as follows:

THE WITNESS: Michael F. Fountain, Tower Hill Lake Road, Deep River, Connecticut.

DIRECT EXAMINATION

BY MR. McENERNEY:

Q Mr. Fountain, can you tell us where you are presently employed?

A The Armstrong Rubber Company in New Haven, Connecticut.

Q How long have you been with Armstrong Rubber?

A Approximately seven years.

Q Can you tell us your position at Armstrong?

A I'm the assistant treasurer of the company.

Q Would you describe generally what Armstrong does?

A Armstrong is the sixth largest manufacturer of tires in the United States.

Q Could you tell us where your manufacturing plants are located?

A West Haven, Connecticut; Des Moines, Iowa; Natchez, Mississippi; Hanford, California; and smaller plants in Little Rock, Arkansas, and West Allis, Wisconsin.

Q Could you tell us the number of employees that you [2174] have in New Haven?

A Approximately 500.

Q How about in your West Haven plant?

A There would be somewhere around 15 to 17 hundred.

Q Does Armstrong Rubber have any accounts at the First New Haven National Bank?

A We do.

Q Could you tell us what they are.

A We have a—maintain a corporate account, and our division maintains three acounts—four accounts, two payroll accounts—correction—three, two payroll accounts and an expenditure account.

Q Do you borrow money, short-term borrowings, from New Haven?

A Yes, we do.

Q Do you have a line of credit with them?

A Yes, yes.

Q Could you tell us what that line of credit is?

A A million four hundred and fifty thousand.

Q Do you see in Armstrong's requirements that you would have a need for more than the present limit, lending limit, at First New Haven?

A Yes, we will.

Q If this merger were to produce a bank which would [2175] be able to lend you more money, would you be inclined to use it?

A Yes, we would.

Q Why is that, Mr. Fountain?

A We have over a period of time maintained relationships with both national banks and local banks, local because of the responsibility we feel for the growth of the community. Rather than going to new banks when we wish to expand our lines as the need requires us to do, we prefer to do it within the spectrum of the banks that we do business with.

Q Do you have lines of credit with New York banks?

A Yes, we do.

Q And with other large banks across the country?

A Yes.

Q Do you have any pension funds for salaried employees or your wage employees?

A Yes, we do.

Q Could you tell us where those pension funds are?

A The pension funds, both pension for the salaried workers and the retired fund, the retirement plan funds for our factory workers, are maintained by Chemical Bank.

Q Could you give us an idea of the worth in total assets of these funds?

A It would be in excess of 25 million dollars.

[2176] Q Are you presently studying the fee schedule or fee charges by the banks with respect to your trust funds?

A Yes, we are.

Q If this merger were to produce a larger trust department, would you consider putting some or all of the trust funds into the resulting bank?

A I don't know whether we'd put some of the resultant funds in there, but we might well consider a custodial relationship, with them acting as trustee.

Q Does Armstrong, to your knowledge, ever get visited by out-of-state banks?

A Frequently.

Q Could you give us some names?

A Of the banks that visit us?

Q Yes.

A Banks that we're doing business, or other than that?

Q I would rather have those other than what you are doing business with.

A Well, Shelby Bank of North Carolina, First National Bank of Atlanta, First National Bank of Dallas. There are several more. We average about two a week.

Q Do the Hartford banks call on you, soliciting your [2177] business?

A Yes.

Q Which ones would they be; do you know?

A Connecticut Bank & Trust has been down there recently.

Q How about Hartford National?

A Hartford National has been in, too, but I personally haven't spoken to them.

Q Do you have an opinion as to whether a larger bank in New Haven would be of some benefit to Armstrong?

A Yes, it would.

MR. McENERNEY: That is all I have, your Honor.

THE COURT: Mr. Reycraft?

Mr. Bell?

MR. BELL: No, your Honor.

THE COURT: Mr. Clark.

CROSS-EXAMINATION

BY MR. CLARK:

Q Mr. Fountain, would you name the banks which you consider to be the lead banks of Armstrong?

A Armstrong has one basic lead bank, and that's Chemical Bank.

Q What are some of the other banks that you do business [2178] with?

A First National City Bank, Bank of America, First National Bank of Chicago, First National Bank of Memphis, Sears Bank & Trust Company, would be the other major banks.

Q What are the total lines of credit which your company presently has?

A At the present time?

Q Yes.

A 35 million dollars.

Q If this merger were consummated, would your company relinquish any of these major banking relationships which it now has?

A No. That's doubtful.

Q If the merger resulted in a larger trust department, would your corporation evaluate that trust department against other trust departments which it presently does business with?

A Yes.

Q Would you consider using the services of that department only if it measured up to or was comparable to services which you could acquire from other banks?

A That would be one of the considerations.

MR. CLARK: I have no further questions, your Honor.

[2179] THE COURT: Mr. Fountain, do you meet with other treasurers, men in similar positions in other companies, and discuss business?

THE WITNESS: Yes, sir.

THE COURT: What is the general reputation, if you know, of the New Haven banks for being able to

satisfy the needs of businessmen in the area? Do you have any foundation for answering that question?

THE WITNESS: No, not really. Any discussions I've had with generally—would have been with treasurers outside of the City of New Haven and any relationship with them.

THE COURT: Thank you very much. You are excused.

(Witness excused)

MR. McENERNEY: That is all I have, your Honor.

THE COURT: The intervenor rests?

MR. McENERNEY: The intervenor rests.

THE COURT: Have you rested, Mr. Reycraft?

MR. REYCRAFT: No, your Honor. We have just a few documents to offer, and then we will.

THE COURT: All right.

[2180] MR. REYCRAFT: I would like to offer as Defendants' Exhibit No. 85—and this, I might say, your Honor, is in connection with a question that came up the other day as to what the meaning was of the phrase "significantly adverse" or "substantially adverse"—and I must say that we have no clear answer to that question; however, we have obtained copies of four opinions of the Comptroller of the Currency and have attached to them the accompanying competitive reports of the Department of Justice. These four cases or these four mergers are situations in which a lawsuit was not filed.

I would like to mark as Defendants' Exhibit No. 85 a decision of the Office of the Comptroller of the Currency on the application to consolidate the Colonial National Bank of Haddonfield, New Jersey, and the Elmer National Bank & Trust Company of Elmer, New Jersey.

In that case the Department of Justice said that the proposed merger would have a significantly adverse effect and no lawsuit was filed.

As Defendants' Exhibit No. 86, a decision of the Office of the Comptroller of the Currency on the [2181] application of the Park National Bank of Newark, Ohio, to purchase the assets and assume the liabilities of the People's State Bank of Granville, Ohio, and the accom-

panying competitive report of the Department of Justice, in which the Department said the proposed merger would have a significantly adverse effect; and no complaint was filed in that case.

As Defendants' Exhibit No. 87, an opinion of the Office of the Comptroller of the Currency on the application of National Bank of Washington, Tacoma, Washington, and the Pacific National Bank of Seattle, Washington, and the accompanying competitive report, in which the Department said that the proposed consolidation will have a significantly adverse effect; and no suit was filed.

I do not know the significance, your Honor, of the difference between "would have" and "will have," but that is it.

And as Defendants' Exhibit No. 88 a decision of the Office of the Comptroller of the Currency on the application to merge Newport National Bank of Newport Beach, California, into Southern California First National Bank of San Diego, and the accompanying [2182] competitive report; and in that merger the Department said the proposed merger may have a significantly adverse effect, and no suit was filed in that case.

So I think what I draw from this, your Honor, is that apparently the Department does not equate the words "will have," "would have" or "may have" significantly adverse effects with necessarily being a violation of the Clayton Act, and I do not derive much more than that from it.

I would also like to mark as Defendants' Exhibit No. 89 a full-page ad, or nearly full-page ad, which appeared in this morning's Bridgeport Telegram, Wednesday, November 15th, by Connecticut Bank & Trust Company, which refers to its availability here in Bridgeport and Fairfield County and describes the services it has and makes available in Fairfield County.

I think there are some additional documents that Mr. Boyer would like to describe.

MR. BOYER: I would like to offer as Defendants' Exhibit 90 documents produced by Morgan Guaranty Trust Company of New York which are in the nature

of a market study of areas around New York, [2183] including Connecticut; and, in offering this, we would like to note that under the column headings that are blank it does not suggest that Morgan Guaranty has no business in those categories, but, along with the Master's business, the Morgan Guaranty's business which was deemed confidential was blanked out.

And we would like to offer as Defendants' No. 91 a list of media produced by the Chase Manhattan Bank in connection with the Special Master's report efforts, showing various media, such as television programs and magazines, which reach the Connecticut area. This would be 91.

MR. REYCRAFT: Would this be a convenient time for a recess, your Honor? I think we are through, but I would like to consult for a few minutes.

THE COURT: Do you have rebuttal?

MR. CLARK: I have a rebuttal who has a meeting scheduled in the Lafayette Bank & Trust Company across the street, so we told him, if it is convenient for your Honor, if he could be available at two o'clock this afternoon for testimony. I am sure we will finish with him this [2184] afternoon.

I also have some exhibits which I can discuss, which I think would take us—it will take us up to twelve o'clock, anyway.

THE COURT: When you say "discuss"—

MR. CLARK: I mean simply mark and offer, and, if there are any objections—

THE COURT: Do you want to do that in open court?

MR. CLARK: Yes, sir.

I can mark them during the recess. That would be all right. Maybe that would save time.

THE COURT: Why don't I do this: Why don't I consider that the defendants have rested, with leave for them to reopen their case if they happen to come up with something, and the Government will have the same opportunity, so that we can maybe progress to a rebuttal.

Yes, we will meet at two o'clock.

Is there anything we can do now while I am on the bench?

MR. CLARK: I have these exhibits, your Honor. I would simply like to comment on them, as defendants have done theirs. If you would rather [2185] I mark them during recess, if your Honor has—

THE COURT: They are not marked at all?

MR. CLARK: No, sir. There are about ten or twelve.

THE COURT: Also during the recess, perhaps counsel can discuss a briefing schedule. I think today is an appropriate day to do that.

We discussed this briefly in chambers, and I think, if my recollection is correct, that counsel like the idea of bifurcating the briefs; that is, somehow getting the facts, findings of facts, presented, and then learning what the other attorney or attorneys do not oppose, and then writing their legal brief based on the facts that either have been agreed upon, or, knowing that certain facts have not been agreed upon, counsel can spend a bit of time convincing me that that fact should be found by reference to the transcript.

In other words, I suppose—we will take a very simple fact: Mr. Hawley is president of the Connecticut National Bank. Counsel may say "Shall we put the transcript number on that?" You may say "No, that won't be opposed by other counsel." So then you get all your facts down and then you learn [2186] that counsel does dispute fact No. 112; that will give you an opportunity to find the transcript information and present it to the Court. It will also aid me greatly finding which facts counsel have agreed upon by some designation, such as counsel for the government does not oppose the findings set forth in defendants' brief Nos. 1, 8, 15, 35, et cetera, et cetera, and counsel for the defendants doing the same thing with the government's. This will aid me greatly.

Was that your general feeling, that you would like to do it that way?

Mr. Clark?

MR CLARK: Yes, your Honor, I think it would be helpful to do that. I am not sure whether it would be necessary to have that done before the parties write

their briefs. I am sure that it will be helpful to the Court to know what findings are disputed, and I agree that that should be done. Whether or not it has to be done before we write our briefs is perhaps another question, and I am sure that we both know what the areas of dispute are and we know what the other side is intending.

I am not, in the interests of speeding this up [2187] as much as possible, without leaving the parties too little time to do what is necessary—

THE COURT: I have no objection to one brief containing separate sections, facts, issues and law, or discussion. So you can work that out among yourselves with the intervenor and Mr. Reycraft, and, if you cannot reach an agreement on it, then I will resolve it.

So why don't you discuss that during the recess, and your timing.

The other things I would like to brief to contain are this: a very short, concise statement as to why each witness was called; for example, Mr. X was called by the government as its first witness, the purpose of this witness was to convince the Court that the relevant market was the SMSA concept, period. I do not want a long dissertation, just the main aspects, even in conclusory terms, as to why you called that particular witness.

On the other hand, the defendants may say "We called Mr. Y to controvert Mr. X's SMSA theory in this case; we also called him for the purpose of demonstrating that the market should be A, B [2188] and C."

Also, if I may have a general statement with respect to the purposes of some of the exhibits. How you want to do that I will leave to counsel's good judgment. But the purposes of Exhibits 85, 86, 87 and 88 were to demonstrate that there really is no defensive approach to the permanent adversely affecting commerce, and beyond that, as Mr. Reycraft says, very little can be obtained.

That is very helpful to me. I may sit back and say why did Mr. Reycraft introduce these exhibits, and speculate for a while, and I can sit down, and they will show me that they may have, would have or could have.

I recognize that this is a burden, so I want you to know it for your planning of time.

The second thing I would like the briefs to contain is counsel's opinion as to the history of banking in Connecticut. I do not want a treatise, I do not want a comment, I do not want a note in law journal style; but I would like a concise presentation by counsel as to their opinion as to the general history of banking in the State of Connecticut, such as, just hypothetically, prior to [2189] 1950 it would appear that Connecticut banks were of a local type, they did not wander much beyond 15 or 20 miles from their home base, as evidenced by the fact that no bank had a branch beyond 30 miles of its headquarters, no branch of any bank was in another county, things like that; then something like starting in 1950 there seemed to be a trend toward statewide banking, as evidenced by Hartford Bank doing A, B and C. Just give me a brief but maybe significant history, at least in the view of counsel, as to what has been going on here in Connecticut.

And the government, on the other hand, would perhaps like to tell me what the history of banking is in Connecticut and what they think it should be from the government's point of view, such as the government believes that the best interests of the communities in Connecticut are served by the use of the holding company, there was an act passed in 1969 encouraging this type of thing, and so forth and so on.

So, now, I wanted you to know that I would like that.

Maybe the intervenor can say, as the regulatory [2190] agency of the banks, "We believe that the history of banking demonstrates this, and we believe it should follow this trend."

MR. McENERNEY: Yes, your Honor.

THE COURT: So that after I look at those three points of view, I will have a pretty concise feeling of what each of you is advocating as to the course of banking in Connecticut, what it has been, what it is and what it should be.

So, with that in mind, you may also want to keep a time allotment flexible.

Lastly, I will say that whatever schedule you arrive at, I will have no objection to a modification of that schedule if everyone agrees, as time goes on, without the consent of the Court. Just someone write me and say "Our brief was due January 10th; it has been agreed by all that we do not have to have it in until the 17th." That is good enough for the record. You do not need my consent. If you dispute it, you will have to put it on my motion calendar.

What do you suggest, Mr. Clark? A half hour?

MR. CLARK: Yes, sir.

THE COURT: We will recess for a half hour.

[2191] (Recess)

THE COURT: Are the parties ready to proceed?

MR. CLARK: Yes, your Honor.

Mr. Reycraft and Mr. McEnerney and I did discuss our briefing schedule, and I think we agree that we will exchange proposed findings on the 15th of December, which is a month from today, and then one week later we will designate those which we agree on, and then three weeks later, which I think takes us into January, the government will have its proposed finding, right, one week after defendants and the Comptroller will have their reply briefs, and one week later the government will submit its reply brief.

THE COURT: Then oral arguments will be scheduled. My calculations are that the government's post-trial brief will be January 12th; is that right?

MR. CLARK: Yes, sir.

THE COURT: The reply briefs by the defendants and intervenor will be January 19th. Government's rebuttal will be January 26th. I would say probably February 1st for oral arguments. That [2192] will give me a few days to absorb some of the material.

Why don't we tentatively set it for February 1st. That is a Tuesday; so you gentlemen won't be delayed by a motion calendar. All right.

MR. CLARK: During the recess, your Honor, we marked Plaintiff's Exhibits for identification Nos. 129 through 144.

P-129 is entitled "Means of Entry by Hartford National Bank & Trust Company and Connecticut Bank & Trust Company into Bridgeport, New Haven and Stamford Metropolitan Areas." This is an exhibit which your Honor requested, I think, a couple of weeks ago, which does state on one document the manner in which these two Hartford banks entered these areas in New Haven and Fairfield Counties, and we have summarized this from other exhibits which the plaintiff had already introduced.

P-130 is entitled "Average Size of Deposit Account, Connecticut Commercial Banks and Connecticut Accounts in New York Commercial Banks." This employs the data found in the Special Master's report, D-60, and it shows that the average account size in the New York banks, which comes from [2193] Connecticut, is almost $21,000, as compared to $1700 average size in all Connecticut banks, or approximately twenty times that of Connecticut banks, which we think indicates the nature of the type of business done by the New York banks in this state.

P-131 is entitled "Actions by Regulatory Agencies on Connecticut Bank De Novo Applications, 1966 to 1971," and it lists the number of applications to both the State Banking Commission and the Comptroller of the Currency, and also gives the number approved and number denied and approval rate, and in both instances that is in excess of 90 percent.

P-132 is entitled "De Novo Entries into Connecticut Towns, Population Per Bank and Per Office Ratios, 1969 to 1971," and I think, your Honor, this does list every de novo entry into a new town in Connecticut in this time and does show that in many of these instances that entry did have the effect of reducing the population per office ratio below—and in some cases substantially below —the statewide average.

P-133 is a copy of a page from an FDIC [2194] publication which compares the population per bank and population per office by state in all the fifty states and the District of Columbia, and we have at the bottom summarized the position of Connecticut within this frame-

work, and it shows that in the population per bank Connecticut ranks fourth out of twenty states with statewide branching and fourth out of all fifty states and the District of Columbia—that is, the ratio per bank is fourth highest in the state out of all states—in population per office—I am sorry, I said fourth; I mean seventh, your Honor—seventh in the twenty statewide states and eighth in the fifty states and the District of Columbia, so it ranks eighth in this country in population per bank. Population per office, again, Connecticut ranks fourth among twenty states with statewide branching and thirteenth among all fifty states and the District of Columbia; that is, that ratio is higher in Connecticut than in sixteen states with statewide branching and forty-eight states over-all.

P-134 and 135 are opinions of the Comptroller of the Currency on de novo branch applications, [2195] two applications in North Carolina. The Comptroller, as has been stated here, ordinarily does not render official decisions on either branch or charter applications, but he did so in this case after hearing was held, and it was one of the few instances we know about where the Comptroller of the Currency has stated for the record his standards—at least that were employed in this case—and we would contend that, to the extent that he does have uniform standards, they are applicable here as well; and these opinions show, we think, that under these standards there is no basis—very little basis—for the contention that de novo applications in the markets in this action would not be granted.

There are several references which I could make to these opinions, one of which would be as follows:

In North Carolina, the Second, the Comptroller considers that evaluation of this application should be undertaken in light of the economic factors and banking employment of the entire metropolitan area as well as the limited area described by the applicant as its primary service area, which was [2196] the City of Raleigh; and the Comptroller says further:

"It is true that many places in the United States, particularly in states which prohibit or severely restrict

branching, might admire the banking services already conveniently available to the public in Raleigh and the manner in which existing banks have stimulated cities' growth; nevertheless, in the absence of evidence that existing banks might become insolvent—and there is no such evidence here—national bank policy favors competition."

And the Comptroller in both of these instances granted the application for a new branch, over the objection of local banks.

There was another reference in one of these opinions, as follows:

"The heavy reliance by First National"—that is, one of the protesting banks—"upon the application of mathematical formulas concerning the ratio of population to banking office fails to take into account the market concentration and need for bank competition, the growth factors in the community and the rapid recent expansion by existing [2197] banks in Hickory, which have expanded aggressively in recent years in response to the present and anticipated demands of the banking public."

P-136, your Honor, is entitled "50 Largest Loan Customers of Defendants, Comparison of Total Loans and Deposits," and this shows that, of these fifty largest loan customers of both banks over the entire year beginning in September of 1970 and continuing through September of 1971, the deposit balances of these customers were substantially lower than the loan balances of these customers; that is, the fifty largest loan customers were borrowing more money from defendants than they deposited.

We think this is significant to the extent to which the defendants have made the contention that somehow, through a larger lending limit, the net result would be an increase in deposits, an increase in lendable funds; to the contrary, we would contend that, to the extent that they lend more money to the big customers, there would be a decrease in lendable funds.

P-137 is entitled "Plaintiff's Interrogatory, Defendants' Set No. 1, No. 42," and it contains the [2198] interroga-

tory and the answer thereto which relates to the consideration of both banks of proposed new services whether or not the service was added, and the reasons for such decisions.

I will comment on that further after a while, your Honor.

P-138 is an excerpt from the minutes of First New Haven National Bank which show that before the merger application was filed the representatives of both banks visited the Comptroller of the Currency and discussed the application, and these minutes state that the Comptroller' representative indicated that the banks here should undertake to defend the case should the Department of Justice sue.

I offer this exhibit not to imply that there was any wrongdoing on the part of the Comptroller but only to show that his position here is one of an advocate, one who has a position which he is attempting to impose or at least defend in this area of commercial bank competition, and I think it relates to the weight to which the Comptroller's witnesses, their testimony, are to be considered; that is, that they are representing an advocate [2199] here, just as our witnesses represented us, of course, as an advocate.

THE COURT: Do I have the opinions of the other agencies that recommended disapproval of this merger?

MR. CLARK: Yes, sir.

THE COURT: They are in as exhibits or attached to briefs somewhere?

MR. CLARK: As exhibits.

I might qualify they did not recommend this approval per se; they also said there would be a substantially adverse effect. And the meaning of that term, as used by the Board of Governors of the Federal Reserve System, is defined in the Code of Federal Regulations as meaning that the Board, if it were the acting agency, would disapprove the merger in the absence of a showing of benefit to the convenience and needs which would substantially outweigh the anticompetitive effects.

THE COURT: Do those agencies send out an examiner to make an investigation, or do they resolve the

issues based on information supplied by the banks involved? Do they hold a hearing? Do they call witnesses? [2200] MR. CLARK: They do not hold hearings. They ordinarily do not. They did not do so in this case. The Department of Justice does not make an independent investigation. I believe that the other bank agencies do. I know that the Comptroller's witness, Mr. Donovan, said that he did so in instances where the Comptroller was not the ruling agency but instead was only one which would comment. Mr. Donovan said, I believe, that he nevertheless does conduct investigations as well, as does the FDIC and the Board of Governors.

THE COURT: Thank you.

MR. CLARK: P-139 is entitled "De Novo Bank Charters Issued to Holding Companies." This is the back-up data, your Honor, for another plaintiff's exhibit which we introduced during our direct case—I do not have the number at hand—which simply summarized the number of charters which had been issued to bank holding companies over the past five or six years. This exhibit actually contains the names of the holding companies and the names of the new banks.

We thought it is necessary now to have this in the record to show, first of all, that both state [2201] and national charters were granted in several states. It also shows that in some of those states found in the Comptroller's press release, which was to have at least temporarily imposed some kind of a moratorium on new banks, there have been national bank charters granted the holding companies; and this exhibit shows that.

P-140, your Honor, is an excerpt from an application by a bank holding company to the Board of Governors of the Federal Reserve System for permission to acquire the stock of a newly chartered bank. This is one in New Jersey, which does have home office protection.

We offer it primarily, your Honor, as a demonstration of a way in which de novo banks are created and then chartered, so to speak, through the holding company, and it shows that—perhaps I can read from page 40 of this exhibit:

"The applicant"—and that is the holding company—"as sponsor, will own by subscription all of the shares of

the proposed subsidiary bank now in organization. The cost and carrying value of these 80,000 shares will be one million dollars, $12.50 per share subscription price. Directors' [2202] qualifying shares totaling $1,000 par value for each director will be sold by applicant to each director of proposed new bank."

What that means, your Honor, is that once the new bank is granted its charter, the applicant holding company will obtain the shares directly from the new bank; that is, they will subscribe to the shares from the new bank by paying money or other assets. The holding company will take those shares directly from the new bank, from the stock account, if you will, of that new bank, rather than actually acquiring them from another bank or from a person. But this is the mechanical way by which this bank becomes a part of this holding company, and, in fact, in this instance, the holding company acquired all the shares and then resold a small part of them to the applicant directors, since in most states the directors are required to have qualifying shares; they must own a certain minimum number of shares to be a director. The applicant holding company acquired them all, sold the minimum amount to the directors as qualifying shares. But that is the way in which this is done, and that is the purpose for this exhibit.

[2203] P-141 and P-142, your Honor, are letters from two banks in Pennsylvania who, pursuant to a bank merger action in which both Mr. Reycraft and I were involved, purchased a total of eight offices from the banks which were defendant banks in settlement of that action, and the purchase was done in precisely the manner in which the present contracts now call for this action. It could have been done in another manner but was not, and I understand the defendants to contend here that they are willing to try to divest these offices in another manner, which I am sure they will discuss; but this divestiture, your Honor, resulted in retention by the buying banks of only a small portion of deposits which the offices held at the time of sale.

In the case of one bank which bought six of the eight offices, the bank estimated that it retained 20 percent of

those deposits which were in the office prior to sale. Subsequently—

THE COURT: Which bank? The selling bank retained 20 percent?

MR. CLARK: No, your Honor, the buying bank. The buying bank bought these offices. There were attempts to get these depositors to change their [2204] accounts over to the buying bank. The selling bank cooperated. There was cooperation between these two banks to try to get the bank customers that were doing business at these offices to do business with the new bank, but only 20 percent of the deposits by dollar volume did in fact—of course, this is just an estimate, but the bank estimated that only 20 percent were in fact transferred to the buying bank.

Subsequently to that time the bank's deposits have grown, and at the present time, almost two years after the divestiture, total deposits held in these six offices are almost ten million, but the total deposits held in these six offices before the sale were, your Honor, I think about forty million. I do not have the totals; just about forty million.

THE COURT: You say the contracts were similarly drawn?

MR. CLARK: Yes, sir, almost exactly, yes.

THE COURT: I do not claim to have a good recollection on this, because I thought that the acquiring bank acquired all the accounts, and it took something by the customer to go back to the selling bank.

[2205] MR. CLARK: That is not the way it was done in Pennsylvania. It is not the way that the contracts presently call for.

Defendants have said that they would be willing to do it that way, and I do not doubt that that would result in a higher percentage of retention by the buying bank, but it is certainly the government's contention that it would still not result in anything close to a hundred percent retention because of the fact that in this transaction the selling bank, in this case the combined bank of First New Haven and Connecticut National Bank, would remain in the area. It would still be there, still be offer-

ing the services which it had been offering to these customers before; and there lies the significant difference between divestiture of this type and a bank merger.

In a bank merger, one of the banks goes out of existence, so that if Connecticut Bank & Trust, for example, should acquire a bank in New Haven, that New Haven bank no longer exists, and it is probable then that the customers that were doing business with that New Haven bank would continue to do business with Connecticut Bank & Trust.

[2206] THE COURT: Put this in more concrete terms for me.

The First New Haven has a bank in what, in Ansonia?

MR. CLARK: Yes, sir.

THE COURT: It is willing to divest that bank pursuant to the merger agreement; is that correct?

MR. CLARK: Yes.

THE COURT: Is it my understanding that the acquiring bank takes charge of all the deposits but that if a customer walks in and says—notice now that this is no longer the First New Haven; it is now the Hartford National—"I wish to withdraw my deposit," under those circumstances, obviously, the bank—

MR. CLARK: Certainly.

THE COURT: —must comply?

MR. CLARK: Yes.

THE COURT: Isn't that your understanding?

MR. CLARK: Yes.

THE COURT: All right. So you say it is your best estimate that 80 percent of the customers would withdraw their—

MR. CLARK: Your Honor, I cannot make an [2207] estimate. In the Pennsylvania case 80 percent of the customers did make a decision not to bank where they had been banking before.

But there is a difference, and I want to point it out, to be fair:

In the procedure as it was done in Pennsylvania, there was no automatic transfer of deposit liabilities; the only thing the buying bank got was this building and the as-

sets therein and the promise on the part of the selling bank that it would help the buying bank to try to get those customers that were doing business in that office to continue to do business in that office with the new bank. But they were unsuccessful as to 80 percent. Some of that undoubtedly could be attributed to the typical inertia element; that is, it required an affirmative act on the part of the bank customer to go in and change his account to the buying bank.

Under the other proposal, it would require an affirmative act on the part of the customer to change his account if he wished to continue to do business with the old bank.

But, your Honor, I think it is significant that 80 percent of these customers did not find it [2208] convenient or necessary to continue to do business at that location where they had been doing business before.

THE COURT: That is the exact thought that ran through my mind.

MR. CLARK: Of course, they were by law still doing business with the selling bank, so all they had to do was go to another office and transact their business there.

THE COURT: That is the second point that you raised.

You said the First New Haven would be lurking nearby. How close by? Take Ansonia.

MR. CLARK: In Ansonia, I think it would be very close.

THE COURT: How close?

MR. CLARK: I think they could answer that better than I, but I know that the Ansonia and Derby banks of these banks are quite close.

THE COURT: First New Haven has two branches in Ansonia?

MR. BELL: First New Haven has none in Ansonia; First New Haven has—two at the present time—excuse me.

[2209] THE COURT: Two where, in Derby?

MR. BELL: Both in Ansonia.

THE COURT: Your point is that, if they divest themselves of one bank in Ansonia, people just have to walk down the street to—

MR. CLARK: Yes, that is right, your Honor.

I cannot give an estimate as to how many people would do that. I think it is substantial in the light of our prior experience in Pennsylvania, which, your Honor, as far as I know, is the only experience where we have had a divestiture of bank offices like this. It just has not been done before, and I think one reason it has not been done is because of special difficulties involved in divestiture of banks and creating new banks. But this was our experience in Pennsylvania.

The point I am making is that all the defendants' exhibits and all of their testimony relating to the divestiture up to this point has made the supposition that a hundred percent of these funds, deposits, would be transferred. Certainly, the government contends, first of all, there should be an inquiry, should the divestiture found to be necessary, into the propriety of this type of [2210] relief—and that goes back to my original objection.

But I raise this defect now in view of the fact that defendants have made their offer now. I raise it as proof that the divestiture would not accomplish, as far as the government is concerned, what the defendants say it would, and that the concentration in the defendant banks in this area would continue to be high, we would contend, well above what the Supreme Court has established as a proper level of concentration resulting from such a merger.

THE COURT: Take the Derby bank, where First New Haven has one branch and it sells that branch; is it your contention that a fairly high percentage of depositors will be retained by First New Haven?

MR. CLARK: Yes, sir. Certainly, if it is done the way it is presently planned, I do not have any doubt about it, because we have had experience. If it is done in—

THE COURT: I can see the difference in a depositor having to take some action to become a customer of the acquiring bank and the depositor doing nothing and becoming a customer of the [2211] acquiring bank. But, of course, the natural thought, logical thought, is, if a person is doing business with First New Haven because

they happen to be located on the same street that the business is located on, it is very convenient for payrolling and for deposits and for check cashing and so forth it is hard for me to conceive that, if a bank changes its name, that business will say "Okay, we'll drive to New Haven or we'll drive to Milford." My logical thought is that the reason the branch is doing so well on that street is because of convenience to the local businessmen and the local depositors and not because, really, of its name —not to be derogatory, not to say that a bank's name is extremely important. But sometimes you get the feeling a depositor will go where it is most convenient, regardless of the name of the bank. If it is Connecticut Bank & Trust, fine; if it is New Haven, fine; if it is Connecticut National, it is fine. But convenience is such an important factor that the average business, average depositor, won't feel so strongly about the name that is above the doorway.

Don't you think so? That is interesting.

[2212] MR. CLARK: Your Honor, convenience certainly is a factor, and the government certainly recognizes that. I think it is signficant, however, that in Pennsylvania 80 percent of these customers—at least, 80 percent by dollar volume; it is probably less than 80 percent by number of customers—did in fact make the decision to go somewhere else to do their banking, because, if they wanted to continue to do their banking at that location, they would have wanted to do it with the new bank, but they did not do it; and I think that is significant.

I think, secondly, especially as it pertains to business customers, we have also heard from several witnesses that a relationship between a business or a commercial customer and its bank is often a long-standing one, and it involves perhaps a complete, over-all relationship, and that businesses might be less willing to change this relationship if it only means perhaps a slight additional amount of travel. And certainly it is true that the defendant banks are going to continue to operate offices in all of these towns and continue to operate offices in adjacent towns.

THE COURT: Will they be in Derby?

[2213] MR. CLARK: No, your Honor. We have considered Ansonia and Derby almost as one.

THE COURT: I see. But they will be in Ansonia?

MR. CLARK: They will be in one or the other. I am not sure.

MR. BELL: Maybe I can clear up that Ansonia-Derby geography.

First New Haven has one in Derby and Connecticut National has none in Derby; and First is under contract to divest. CNB has two branches in Ansonia; one of those is probably a few blocks close to the Derby line and the First New Haven Derby branch; the second Ansonia branch of CNB is a couple of miles away. The close one is one of the additional branches we have also indicated a willingness to divest ourselves of; that is the closest of the two Ansonia branches.

THE COURT: We have three branches that are under contract pursuant to the merger agreement, and we have three branches—

MR. BELL: That is correct.

THE COURT: —that the defendants are willing to divest themselves of?

[2214] MR. BELL: That is right.

THE COURT: I have separated the two because I am not sure whether the evidence was properly admitted. But, in the event that it is, I wanted to make sure that the record had all the information.

Do I have all the information on all six?

MR. BELL: I believe so, your Honor.

THE COURT: Where they are located and what towns they are located in?

MR. BELL: Yes, sir.

THE COURT: That is what, in the exhibits or in your brief?

MR. BELL: In the previous trial brief it is described.

MR. REYCRAFT: It is one of the exhibits. Your Honor requested exhibits broken down by the three branches under contract and the three we have offered to add to it, and we have it both ways in the exhibits.

THE COURT: All right.

MR. REYCRAFT: Your Honor, when Mr. Clark is through talking about this Pennsylvania situation, may I just make a few comments? I have a few other [2215] comments on his exhibits, but I think this is significant.

THE COURT: Have you completed your presentation on 141 and 142?

MR. CLARK: Just about. I was going to refer to the other bank, which is P-142.

This bank bought two offices. I do not have an estimate from them as to the amount they retained initially, but this exhibit shows that one year later these two offices held about one-third the total deposits which had been held there prior to the sale.

That's the end of my comments on this.

THE COURT: Maybe it would be appropriate if Mr. Reycraft addressed himself now to 141 and 142.

MR. REYCRAFT: I am sure your Honor understands this, but Mr. Clark has made a couple of statements that I think are at least a little bit confusing.

While the contracts for the sale of the branches involved in this case are similar in their legal wording to those used in Pennsylvania, we have attempted to make it as clear as we can—we state again—that we are prepared to have these [2216] divestitures take place pursuant to the Bank Merger Act, under which the acquiring bank will obtain by operation of law all of the banking business at those offices, so that the customers at those offices will not have to perform any act in order for their business to go with the acquiring bank.

That was not true in the National Central case in Pennsylvania, where the Comptroller permitted a sale of the physical assets to take place, the real estate, and the acquiring banks had the burden of soliciting the customers at those branches. The selling banks in the Pennsylvania case agreed to furnish a list of the customers to the acquiring banks and to cooperate generally with the acquiring banks. A substantial amount of banking business did not go to the acquiring banks.

But the important point—and no one represented to them that it would, as a matter of fact—is that in the Pennsylvania case additional alternatives were made

available to banking customers in the area. They had the choice; they, partly through momentum, did not exercise, but it is available to them; those branches that were acquired by other banks in the [2217] area are available. In this case whatever inertia exists will operate in favor of the acquiring banks in that the customer will have to perform an affirmative act, such as going into the Derby office and taking his money out and transferring the business elsewhere.

Again, we are not representing to the Court that a hundred percent of the business will stay with the acquiring bank; some customers probably will move their accounts. But the important thing as far as we are concerned—and it seems to us as far as this case is concerned—is that there will be strong entrants in the area. After all, we agreed with the Hartford National and National Bank & Trust Company, and they are well able to take care of themselves. The other point—

THE COURT: I am curious about how that worked in Pennsylvania. The customer had to make some affirmative act to become a customer of the acquiring bank?

MR. REYCRAFT: Yes.

THE COURT: What if the customer did nothing?

MR. REYCRAFT: He stayed with the selling bank.

[2218] THE COURT: How could he? Because when he walked into the bank the acquiring bank's people were there, the acquiring bank's sign was up over the doorway, the deposit slips now have the name of the acquiring bank. How did that work?

MR. REYCRAFT: Legally it was an account of the National Central Bank, the merged bank, and was no longer physically located in one of the offices that was sold. I mean if he walked in the door he would be told, "Well, yeah, this is the Dolphin Deposit Trust Company, not the National Central Bank any more, and you will have to call at the head office to see where your account is serviced or where you want your account to be serviced."

Just to repeat, we are prepared to do these divestitures under the Bank Merger Act so that the momentum and inertia will occur in favor of the acquiring bank.

THE COURT: What does 143 show?

MR. CLARK: Your Honor, I might just say again, with respect to this affirmative act, I think it is significant that the bank customers in Pennsylvania then did take the affirmative act of [2219] banking somewhere else. I think they would also have taken an affirmative act to get a transfer.

That is my comment on that.

P-143 and 144 are opinions.

One is the decision of the Comptroller of the Currency—and I quote: "On the application to merge General Bank & Trust Company, New Haven, Connecticut, into Hartford National Bank & Trust Company, Hartford, Connecticut, under the charter and with the title of the latter."

P-144 is the report of the Office of the Comptroller of the Currency to the Board of Governors of the Federal Reserve System on the proposed merger of the Tradesmens National Bank of New Haven, Connecticut, with the Connecticut Bank & Trust Company, Hartford, Connecticut.

In both of these instances the Comptroller took the position that such mergers would in fact be procompetitive. There are no indications in either opinion that there would be in any way harm or undue pressure put upon the local New Haven banks as a result of this entry by the two outside Hartford banks; in fact, in the opinion of the Comptroller relating to the CBT-Tradesmens merger, [2220] the Comptroller says:

"In New Haven the resulting institution will provide a more forceful competitive challenge than does the merging bank—that is, the small New Haven bank—and competition will be stimulated without imbalancing the competitive structure in the resulting bank's favor, although it will then be the largest in the area."

That concludes our exhibits, your Honor.

THE COURT: All right.

Do you have some comments?

MR. REYCRAFT: Just about two minutes' worth, your Honor.

I have a lot of doubt about the relevance of opinions on North Carolina branching, but I am not going to object on that ground. But I would just like to state that the reports of the Federal Reserve Board and the Federal Deposit Insurance Corporation on this merger, as on all other mergers in which they are not the approving authority, are merely advisory and have no statutory effect beyond advice given to the approving agency, and they consider only the competitive effects and not the convenience and needs of the community.

[2221] I have no other objections to the exhibits.

THE COURT: I have two things:

One, if, in your briefs, Gentlemen, you refer to a law journal article or publication that you think would be helpful to the Court, I would appreciate it if somehow you can reproduce it and submit it along with the brief, for two reasons:

One, I do have some difficulty in keeping Law Journal articles out of the libraries locally more than 24, 48 hours. They are pretty sticky about it, and with a Judge they will let him keep it maybe three or four days, whereas with attorneys they won't even let them out of the library; and, as you can see, some of these Law Journal articles may be helpful, and I would like to have them available to me longer than the 48 hours.

Secondly, I can mark up copies.

On the other hand, if it is a great inconvenience, I can get them pulled from the library, but I prefer not to go up to the library and take out ten or twelve volumes.

The second thing is:

How long do you think you will need this afternoon, Mr. Clark?

[2222] MR. CLARK: We have one witness, and I do not think he will take more than one hour totally.

MR. REYCRAFT: Your Honor, Mr. Clark also marked some exhibits having to do with holding company acquisitions in other states.

On Friday of last week the Court of Appeals for the District of Columbia issued an order in connection with a Federal Reserve Board approval of such a bank hold-

ing company acquisition of a newly chartered bank in the State of Missouri, where the question of whether it is an invasion of the state's branching law is raised, and this Federal Reserve Board approval has been stayed by the Court of Appeals.

Perhaps I just should hand them to your Honor's law clerk.

THE COURT: Yes, sure. We will accept that.

MR. CLARK: Pardon me, your Honor. I would like to move, then, that Plaintiff's Exhibits 129 through 144 be accepted.

THE COURT: Yes, they all may be admitted.

I think it might be helpful also if counsel and the clerk got together either today or at a convenient time to make sure I have all the exhibits. [2223] Sometimes, as you know, a witness takes an exhibit and hands it to counsel, rather than the clerk. I know I have some exhibits in my office, and I will ask the clerk to come in and get them. But before you leave the area either today or tomorrow or whatever your plans are, make sure I have all the exhibits that counsel introduced.

All right.

MR. REYCRAFT: Your Honor, I assume that Exhibits 83 through 91 of defendants are in evidence also?

THE COURT: To cover all possibilities of confusion later, I will admit as full exhibits all exhibits marked for identification by all parties.

All right, we will recess until two-fifteen.

(Luncheon recess, one o'clock p.m.)

[2224] AFTERNOON SESSION

THE COURT: Are the parties ready to proceed?

MR. CLARK: Yes, your Honor.

Peter Stassa.

PETER STASSA, JR., called as a witness, having been first duly sworn by the Clerk of the Court, was examined and testified as follows:

THE CLERK: Will you state your full name and address for the record, please.

THE WITNESS: Peter Stassa, Junior, 211 Lake Avenue, Trumbull.

DIRECT EXAMINATION

BY MR. CLARK:

Q What is your occupation, Mr. Stassa?

A Commercial banker.

Q With what bank are you?

A Lafayette Bank & Trust Company, here in Bridgeport.

Q What is your position with Lafayette Bank?

A I'm president, chief executive officer.

Q How long have you been with Lafayette Bank & Trust?

A Since July 1st of this year.

Q What was your occupation before your present position with Lafayette?

[2225] A I was senior vice-president, First National Bank of Fort Lauderdale, Florida; and prior to that I was executive vice-president of the Second National Bank of New Haven; and prior to that I was a vice-president of the Fairfield County Trust, now Union Trust, in their Danbury region.

Q Can you give us the approximate years during which you held these positions?

A Approximately two years with First National-Lauderdale; approximately two years with Second at New Haven; and approximately eight or nine years with Fairfield County Trust.

Q Would you give us a general description of Lafayette Bank & Trust, when it was formed, total deposits, and so forth?

A Lafayette Bank & Trust was formed in 1965. Its present size in terms of deposits are approximately 45 million.

Q How many offices does it operate?

A We operate five offices.

Q Where are they located?

A We—all but one of them are in Bridgeport. The last office is in Fairfield.

Q Do you have an application for another de novo [2226] office?

A We have a—received approval to open an office in Trumbull, providing we raise the additional capital the State Banking Department is requiring us to raise as a condition to that opening.

Q What is the lending limit of Lafayette Bank & Trust?

A Little over $300,000 to any one borrower.

Q Do you have customers whose needs, borrowing needs, are in excess of that limit?

A Oh, yes.

Q How do you serve these customers?

A Well, the usual practice is to utilize a correspondent bank to participate in the loan.

Q Would you elaborate on that procedure. How is it done?

A Well, you will call in a correspondent—that is, a bank that you have a relationship with—to take either an amount over your legal limit or sometimes a portion of the loan, even if the total credit isn't as much as your legal limit, in order to accommodate the request that you have of the customer, so that you don't lose him to a larger bank whose legal limit could make that loan.

Q Do you find it difficult to deal with correspondents in matters of this kind?

[2227] A At times, but maybe not sometimes as difficult as your own board of directors.

Q How much of an inconvenience is it to the customer when a participation of this kind is utilized?

A Normally the correspondent bank will come to our office or our customer's place of business with us, and, in a sense, it's—as far as the customer's concerned, it's somewhat the same as dealing directly with our bank. The correspondent, if your relationship is good enough with him, will make sure that he impresses the customer that it's your account, that he's just assisting.

So that there really isn't any tremendous inconvenience to the borrower; plus the fact, if we want the business, that's up to us to solve it.

Q If the borrower is of good credit standing, do you generally find that you have much difficulty in obtaining the help of a correspondent in placing the loan?

A I would say that if the credit standing is good there usually isn't too much difficulty.

Q Does the correspondent bank sometimes visit the borrowing customer, also?

A Yes, but very rarely on his own. You don't usually visit that customer without the local correspondent who initiated the introduction.

[2228] Q Does the big city correspondent always have to get approval of its board of directors for a loan which it might participate with you?

A Very rarely. Most large correspondent banks, the lending authority of their senior officers probably is ten or twenty times what our legal limit is. I mean it's not unusual for a senior lending officer of a large bank to have a three- or four- or five-million lending authority on his own.

Q Can this result in a faster service to your customer, the fact that the correspondent—

A Well, that would be one of the judgments you would make in choosing the particular correspondent bank; where you knew you had a good dialogue with a particular officer who had adequate lending authority, that would be one of the things that would sell you on that correspondent relationship, so you could get quick service out of him.

Q Did you have any experience in the area of municipal finance when you were with Fairfield County Trust or Second National Bank?

A At Fairfield County Trust it was very limited, because our head office was in Stamford, and it might be limited just to sitting in when they opened some bids that we might be participating on with other banks.

[2229] At Second New Haven, of course, being the number two man in the bank, in the absence of the presi-

dent or along with the president we pretty much decided municipal financing policy.

Q Is it customary that banks will obtain participation of big city correspondents in satisfying the financing needs of local municipalities?

A I think you will find, if you look at The Wall Street Journals or any of the financial magazines, most large municipal financing is usually done by underwriters or groups of banks or banks in connection with underwriters. You will probably find a half a dozen or a dozen banks handling a single issue.

Q Is it also customary for the larger issues to have participation between Connecticut banks?

A We have. At Fairfield County we very often bid on local municipal issues in conjunction with correspondents or participants.

Q Mr. Stassa, what is the geographic market which your bank presently serves?

A Well, let's say the Greater Bridgeport area. Obviously, the further you get away from any one office, the effect of our market lessens, like dropping a pebble in the water.

[2230] Q Does the Greater Bridgeport area include such suburban towns as Fairfield?

A We have a branch in Fairfield, so that would tend to expand our market in that direction.

Q And Trumbull and Stratford?

A Right. Monroe. We have customers in New Haven, Orange, Danbury, Stamford, obviously to a lesser degree than the immediate Bridgeport market.

Q You obtain business from towns such as Stratford and Milford, in which you do not presently have offices?

A Yes. Yes, we do.

Q Is it possible for a bank to compete for business in Bridgeport from a suburban location in Fairfield or Trumbull, for example?

A I'd say it is very possible. We're feeling that effect right now with Hartford National having a branch in Fairfield. They are calling on customers of ours in Bridgeport.

Q From your experience in New Haven, would it be possible to do the same thing from suburban locations there?

A Yes. In New Haven we had banks like Community Bank and Hamden National calling on New Haven customers. We, ourselves, at Lafayette, have customers in New Haven.

Q When you were with Second National, Mr. Stassa, [2231] were you considering the holding company device at that time?

A We did.

Q Would you briefly describe the concept that was under your consideration.

A We had entertained and had some very formal discussions with two other banks in the state with a view towards forming a holding company. Both of those banks were smaller than our bank. And the reason that we didn't pursue it is that the larger of the two prospective members—their board decided that they didn't want to move at that time, and our feeling was it didn't make very much sense for a large bank to get together holding-companywise initially with just one smaller bank, and we had discussions with others.

But we very seriously considered the holding company route. We also had some discussion about even combining with the existing—the then—the then about-to-be-formed holding company up in Hartford, which is anchored by the United Bank.

Q Would you also give consideration to possible reconstituting of banks that Second National had acquired previously?

A Yes. We gave—we had acquired banks in Derby and in Guilford and had merged them into Second National, [2232] and we, in thinking out the concept of this, had envisioned the possibility of, in a sense, reconstituting the Guilford Trust and the bank in Derby if we had gone with the holding company.

Q You mean by that reconstituting them as—

A As, in a sense, independent banks, of course, owned by the holding company, or—frankly, Guilford is a very provincial market area, and our feeling was we might

recapture that local bank flavor by reconstituting the Guilford Trust all over again.

Q Did you consider possibly for longer-range possibility the use of the de novo chartering concept in this holding company?

A Yes, we thought about that in order to frankly get around the home rule regulations, and we seriously considered the possibility of certain towns, like Orange, where we couldn't have gotten a branch in, or possibly even considering a brand new bank in that town.

Q Were you aware at that point, at least, of any legal impediment to such an action?

A I believe at the time there was no legislation prohibiting holding companies, and I think that's the basis on which United formed their holding company. I understand since that time there's been, I think, enabling legislation [2233] passed in the state. I'm not an attorney. I'm not clear on that, but that's my understanding.

Q You also spent a couple of years in Florida, didn't you?

A Yes.

Q With what bank was that?

A First National Bank of Fort Lauderdale.

Q Was that bank a member of or one bank in a larger holding company in Florida?

A Shortly after I got there the final activity took place in bringing into being a holding company known as Consolidated Bank Shares, which started out with five banks in its holding company, one of which was a de novo bank.

Q Is the de novo bank method common in Florida?

A Yes, very common. Florida's a unit bank state, and there the holding company vehicle has really been used primarily to be able to branch, in a sense, by putting banks together in a holding company.

Q Is it common that a holding company may even have more than one bank in one city in Florida?

A Oh, yes. Most of the large holding companies have more than one bank, especially where their anchor bank is, because that's where they may have started their initial expansion.

[2234] We had five banks in Fort Lauderdale—well, three in Lauderdale proper, two in towns that are considered part of Lauderdale for geographic purposes.

Q Can you describe generally the way in which a holding company establishes a new bank and acquires control of it?

A You make application the same as you would if you or I wanted to start a bank, and you get a few local people usually to be part of your group. You are going to need directors, anyway. But it's all in the application that the holding company's going to own the whole stock except the qualifying shares.

Q There is no attempt to hide, then, is there, the fact—

A No, it's all provided for in the regulations.

Q How does the holding company acquire the stock in this new bank?

A Buys it. That's what supplies the capital to the bank. Buys the piece of paper called the stock, and the bank now has its capital. The holding company owns the stock.

Q It—

A No different than you or I subscribing to the stock in a new bank.

[2235] Q Right from the new bank? Is that the way it is done? What about the qualifying shares of directors?

A Normally, in the case of a national bank, the directors must own qualifying shares; and then most states require the state banks—they have qualifying shares, and our agreement with the directors of the banks owned by the holding company was basically that if they retired from the board or left, they'd sell the shares back to the holding company so we, in turn, could sell their qualifying shares to their successor.

Q How do you compare the cost of expanding through a de novo bank, the holding company process, and establishing a de novo branch?

A Well, let's take the case of Consolidated Bank shares. We established a new bank at no more than and possibly even less amount of capital than we might have

been able to do it if it were just an independent group, because the regulatory authorities were assured that there was good management going to be provided. We didn't have to rely on the one man we might hire to run that bank. There were ample management supervisory—all that stuff from the holding company could be put in there. And we capitalized that at, I think it was, a million dollars; and probably if it had been an independent group they would have been asked [2236] to capitalize it at about the same amount of money.

Q How would you compare the expense to the holding company of, say, putting a new bank in a town and opening it up through a new bank charter and simply opening up a branch, as opposed to de novo branching?

A Well you get a lot of factors involved there.

If you have a bank that has ample capital, where they wouldn't be required to raise additional capital in terms of getting a branch approval, that's one thing; but let's take our case right now with the Trumbull application. If we decided to form a multibank holding company right now, the state would probably require us to raise a million dollars for an independent bank, anyway, and that's just what they're asking us to raise in terms of beefing up our own capital as part of permission to open the branch.

In our case it's one primarily of because of our deposit growth and then taking on the expense of starting up a new branch, they think we need more capital. They do the same thing if you have a holding company.

Q Is your bank in the process, then, of raising this additional capital?

A Uh huh.

Q How will you do so?

A Obviously we could go out and sell more stock, [2237] but also we could sell that—either borrow it from a correspondent or sell it direct to the public.

Q That would be a million dollars; is that correct?

A Or possibly more. We may decide we'd just as soon have a little more capital right now, anyway; but the requirement is one million.

Q To get back to the comparison of costs, perhaps you did not understand my question the last time.

I am interested in a comparison in terms of out-of-pocket costs to a bank between the holding company and a branch; that is, the cost of putting up a building and so on. How does that compare?

A Well, normally when you—when you start a new bank, you probably make it a little fancier than you would a branch. But, if you are going into a town that you had not been into before and you wanted to make a big splash, you might build a big branch as well. The operating costs—I've heard lots of debates on that. My own personal opinion is that it doesn't cost that much more.

I'm sure you have got an independent board of directors, and maybe you would have to pay them a little more than you would some advisory board members, and because the man running it is going to be president of a bank you might go for a little higher caliber than a branch manager [2238] type.

To put up the building, the contractor isn't going to charge you any more to put that brick up whether it's a branch or an independent bank. And then there's some fellows who philosophically—down in Florida we saw a great advantage to the fact that each bank was set up in a profit center, so it was very easy to make comparative statements of form and watch your expenses and not always worry how you are going to allocate expenses to the branch when you have got forty of them, so accountingwise it wasn't difficult.

So, to answer your question, I don't think there's substantial expense differences once you have initially got your holding company established.

Q Is it possible to lease locations rather than build?

A Oh, yes. Our bank leases all its locations.

MR. CLARK: I have no further questions, your Honor.

THE COURT: Mr. Reycraft.

CROSS-EXAMINATION

BY MR. REYCRAFT:

Q Mr. Stassa, how long has the Lafayette Bank been in existence?

A Since 1965.

Q Did you participate in the formation of that bank?

[2239] A I did not.

Q You have been with the bank since July?

A Since July 1st of this year.

Q Have you ever participated in the organization or formation of a new bank in the State of Connecticut?

A No.

Q Are you familiar with procedures for doing so?

A Well, reasonably well, as well as somebody who hasn't really gone through the road a bit.

Q Are you familiar with the application form?

A It's been a long time since I've seen it.

Q But you have seen it?

A Yeah, I think so.

Q When did you see it?

A Oh, I think I might have looked at it sometime in July or August, because I was about to go to a hearing on new bank application.

Q Are you familiar with the restrictions which the organizers of the bank are subject to as far as reselling the bank?

A Reselling the bank?

Q Yes, sir.

A Not specifically.

Q Do you know whether there are any such restrictions [2240] or not?

A I believe there are.

Q What do you think they are?

A I'm hazarding a guess here from memory, but I think they'd have to make some statement to the effect they aren't forming the bank to resell.

Q Would you be willing to sign such a statement to the State Superintendent if you were forming a new bank for the purpose of selling it to a holding company in the State of Connecticut?

A I don't think I would have the holding company apply for the bank, not myself.

Q Do you think that somebody would have to sign the application?

MR. CLARK: Your Honor, I object to that. The

witness has already testified that he is not fully familiar with the application, and, furthermore, I do not think that, whether or not he is testifying about some speculative future application, it is really relevant here.

MR. REYCRAFT: I assume the witness is being offered for the purpose of showing if you can do it in Florida you can do it in Connecticut. If he is not, I do not know what purpose he is here for.

[2241] THE COURT: I thought that it was the purpose of this witness to show that the holding company route is a feasible one and de novo chartering is a possibility.

MR. CLARK: He testified to the practical aspects, your Honor. As to the legal aspects, I think that is up to us lawyers.

THE COURT: I do not know if you can slice it that thin on cross-examination. Objection is overruled: within the scope of direct.

Of course, if you do not know, you can say so.

THE WITNESS: Will you repeat the question.

(The pending question was read by the reporter as above recorded.)

BY MR. REYCRAFT:

Q I believe you said you thought the holding company would make the application and not you; right?

A That's right.

Q Do you know whether some individuals have to sign an application for a new bank charter in Connecticut?

A The incorporators would have to.

Q Do you think that incorporators would have to sign the statement to the effect that they were not organizing the bank for the purpose of selling it or merging it with [2242] another bank?

A As I indicated, I wasn't sure that they'd have to do that.

Q You think they do?

A Right. I don't know the—not being a lawyer, I'm not sure how a holding company makes application for a

de novo branch in the State of Connecticut. The holding companies are not regulated by the State of Connecticut, bank holding companies, and, unless there's a restriction against a holding company starting a bank, specifically, in the State of Connecticut, then they could start one like—owning a de novo branch like any other state that permits holding companies.

Q I understand you to testify that you had at least some familiarity with the formation of new banks, at least in the State of Florida; is that right?

A Uh huh.

Q Do you know whether there are any application forms that have to be signed in the State of Florida which represent that the organizers are not forming a bank for the purpose of selling it or merging it with another bank?

A Not to my knowledge.

Q You are not familiar with any such restriction in Florida, are you?

[2243] A (Shakes head negatively)

Q I would like to show you D-7, which is an excerpt from the application form which is used in the State of Connecticut for the formation of a new bank. Would you take a look at that.

Have you ever seen that?

A I think I have. Maybe that's why the holding companies might decide to take a national bank charter instead of a state bank charter.

Q You think so?

Would you sign that application if you were with a holding company applying for a newly chartered bank?

A If I was representing the holding company's statement, sure.

Q You would sign that application saying you did not intend to merge the bank with another bank?

A If I was signing it with a holding company?

Q Yes.

A If the holding company certainly wasn't talking about selling the bank, sure.

Q Have you ever discussed with the State Banking Department or the Commissioner their attitude or policy

on the formation of de novo, newly chartered banks by holding companies?

[2244] MR. CLARK: Once again, your Honor, I object to that question.

THE COURT: He just asked if he had ever spoken with someone.

You could say yes or no.

A No, not specifically.

Q So you do not know whether that would be permitted by the State Banking Department or not, do you?

A The discussions I held, brief discussions I held with counsel at the time, didn't indicate that that would be any problem.

Q Were you advised by your counsel that there would be no problem in a holding company forming a newly chartered bank in the State of Connecticut?

A I don't think we researched it, but our assumption was there wouldn't be.

Q Were you ever advised to that effect?

A Not specifically.

Q So that the fact of the matter is you do not know whether it is legal or not in the State of Connecticut for a holding company to apply for and form a newly chartered bank; do you?

A I couldn't testify that I know for a fact, no.

Q The fact is you do not know; isn't it?

[2245] A Right.

Q You have been back in the State of Connecticut since July; is that right?

A That's right.

Q I believe you testified that your bank, the Lafayette Bank, has had experiences with loan applications beyond its lending limits which you had participated with correspondents; is that right?

A Uh huh.

Q Who are the correspondent banks of the Lafayette Bank?

A Chase Manhattan Bank is one.

Q Who else?

A Franklin National.

Q Who else?

A Connecticut Bank & Trust.

Q Who else?

A Hartford National Bank, Connecticut National Bank, City Trust.

I'm about to open some more correspondent relationships.

Q What is the largest loan application which Lafayette Bank has ever received, to your knowledge?

A Probably a few million dollars.

[2246] Q What have you done with those loans?

A Participated them with correspondent banks.

Q With which one?

A Chase Manhattan, Franklin National.

Q Since July of this year?

A We're working on a few right now. We actually haven't closed any, but we have numbers of them on the books.

Q Have you closed any since July 1st of this year?

A Well, yes and no. We have some that are resolved, and technically they may have been paid off and brought on again, and, if you want to get technical, yes, but the approval for the credit and the renewed approval of it just hasn't come up since July 1st.

Q What is the largest loan that has been outstanding at your bank since July 1st of this year, including any over-line participation with correspondents?

A About a million and a half dollars.

Q Who is the correspondent?

A Do I have to state who the customer—oh, correspondent?

Q Yes.

A Chase Manhattan Bank.

Q Did they take the whole overline?

A Yes.

[2247] Q Is the customer located in Bridgeport, or Fairfield County?

A Located in Fairfield County.

Q I won't ask any more about the customer, because I know you do not want to talk about it.

Are you familiar with the concept of standard metropolitan statistical area?

A Yes.

Q Is it your opinion that this is your banking market, or is it something else?

A You mean the one that applies to this area?

Q Yes.

Are you familiar with what it is in this area?

A I don't know what the specific description is of this market under SMSA, but I would consider our market primarily Bridgeport and the surrounding towns, and then, as you go further away from Bridgeport, it lessens a little bit.

Q But you have never considered the SMSA one way or the other as being your banking market?

A No. I think we have our own description of what our market is.

Q Isn't it a fact, as I understood your testimony, that it is the area in which your bank has offices, basically?

[2248] A Primarily, but it's not limited to that by any means.

Q To what extent does it go beyond the area in which you have banking offices?

A As I stated before, we have customers in New Haven, we have customers in Stamford, we have customers in Danbury, Newtown.

Q What percentage of your banking business comes from New Haven?

A I couldn't tell you specifically what percentage.

Q One percent, two percent?

A I have no idea. I'd just be taking a guess.

Q Can you think of any customers who now reside in New Haven?

A The business does, yes.

Q Are these corporate customers or individual customers?

A Both.

Q Do you know whether there is as much as one million of deposits that come from New Haven?

A I couldn't tell you that, because there is—there's lots of relationships involved there. I mean there could be—we might be looking at the corporate balances and then the individual balances which maybe stem out of

[2249] that, and the individual may end up living in Trumbull, for all I know. The relationship that we get comes out of our relationship with the prime account, which could be in New Haven.

Q You do not know how much business you get in New Haven?

A Not specifically.

Q Nor within any range?

A If I had to be very conservative, I could say it would be, oh, maybe one percent.

Q You have a total of about 19½ million dollars of demand deposits at the present time; is that right?

A Approximately.

Q And you have about 26 million of time and savings?

A Uh huh.

Q And you have about 36 million 600 thousand in loans outstanding at the moment; is that right?

A Those are the figures from our June statement.

Q June 30, 1972, right.

What percentage of those loans are mortgage loans

A Are what?

Q What percentage of those loans are mortgage loans?

A Mortgage loans? About little less than one-third.

Q Who is your competition for mortgage loans?

[2250] A Every other bank.

Q Does that include savings banks?

A Certainly.

Q Who is your competition for time and savings deposits?

A Every other bank.

Q Including savings banks?

A Including savings banks. (Shaking head)

Q The reporter cannot get your nod.

A Oh.

Every other bank, including savings banks.

Q Thank you.

A And savings and loans and credit unions.

Q When you testified that while you were at Second National Bank in New Haven you were considering the formation of a holding company, why didn't you do that?

A Huh?

Q Why didn't you do that?

A As I mentioned before, we had gotten so far as to even do the accounting analysis of the merged holding company, and the second of—the larger of the two other banks we talked to, their board was concerned that maybe it wasn't the right time for them to move on that, and they decided not to pursue it any further.

[2251] Q Why didn't you form a holding company and charter some de novo banks around the state?

A Well, one, we needed to start a holding company first or join with another holding company, and one of the reasons I left, frankly, was because I couldn't get other management to go along with me on the type of expansion I had in mind.

Q In other words, the chief executive officer apparently did not agree with you that it was quite so easy to form a holding company?

A That isn't the point. I don't think he wanted to expand at all.

Q So the decision at Second National, at least, was they were not interested in forming a holding company and charter de novo banks?

A It never reached the board for a decision. It never got that far. The holding company did; the idea of going into a holding company did.

Q With de novo banks?

A That was the long-range program.

Q The board did not approve that?

A The board did approve that, but one of the banks decided to pull out and, as a result, collapsed the whole program.

[2252] Q Did the board ever consider forming a holding company for the sole purpose of acquiring newly chartered banks?

A Not for the sole purpose, no.

Q You have testified about the capital position of your bank and you testified that you are being asked to raise about a million dollars in additional capital; right?

A As part of the condition to approval of our opening a Trumbull office. That's how the request for additional capitals come through.

Q Has your bank had any request or suggestion that you raise additional capital apart from the de novo branch application?

A Not as a formal requirement.

Q Haven't the bank examiners discussed it with you?

A I've hardly ever met with a bank examiner who didn't suggest that you might raise a little more capital.

Q In fact, they have suggested it, have they not?

A They suggested it at every bank I've been with when I've sat in on those meetings.

Q Certainly they have suggested it at the Lafayette Bank, haven't they?

A Yes, sure, but formally there's been no request for it, except when we apply for a branch.

[2253] MR. REYCRAFT: Nothing further.

THE COURT: Redirect?

MR. CLARK: Yes.

REDIRECT EXAMINATION

BY MR. CLARK:

Q Mr. Stassa, do you have D—no, you do not.

Let me read this language again which Mr. Reycraft brought up. This is on the form, application for a new charter in Connecticut: "This proposed bank is not to be organized for the purpose of selling to, merging or consolidating with any state bank or trust company or national bank now in existence."

If you were applying through a holding company for a new charter, would you be applying for permission to merge or consolidate with any state bank and trust company?

A No.

Q Or with any national bank now in existence?

A No.

MR. CLARK: I have no further questions, your Honor.

THE COURT: Recross, if any?

Mr. Stassa, may I ask you this: Let me tell you what I am not asking you: I am not asking you whether

you would like to see this merger go [2254] through or not; but I would like to ask you how you think the merger, if approved, would affect your bank.

THE WITNESS: Well, I think it would certainly prompt us to think a little more seriously of where do we go from here. Do we remain independent or do we decide to look into the possibilities of being acquired or try to go out and acquire other banks in an effort to be a little more competitive? Because we'd really be small then.

THE COURT: How would that affect you, really being small?

THE WITNESS: Well, the—the bank has been a very successful bank to date. It's grown very rapidly in a short period of time, and we are concerned about, frankly, some of the new competition that has come into the area, specifically the two Hartford banks.

THE COURT: That is exactly what I was going to ask you next.

Assuming this merger were disapproved, would the new entrants that you mentioned in the course of your testimony, the Hartford National Bank and [2255] CBT —are you thinking about adding some muscle to your firm, your bank?

THE WITNESS: Just about every merger or entrant of other competition gives you some thought for what do you do, yourself. Not so much—I'm really not much concerned about size as I am profits, and we do get concerned over the entry of a new bank who then are in position to—well, let's say make their lending policy a little easier than they might be elsewhere, or possibly even charging lower rates in order to break into a market, which the—the cost of which can easily be absorbed by other locations.

THE COURT: How do you meet that?

THE WITNESS: Well, there's a limitation as to how far you are going to go to meet 'em. When it becomes a loss situation, you have to end up losing that relationship. But it would tend you to start thinking about maybe the only way you can meet that type of competition is you may have to be associated with somebody

who is much larger, and that you can't necessarily get a correspondent because he's not going to be willing to loan the money below the market. But certainly either a [2256] merged bank or a bank that's come into the area that—since they have that much more play, they're not particularly dependent on the same market that you are; they can make up their friendly point elsewhere while they compete very hard with you in your location.

THE COURT: Thank you very much, Mr. Stassa.

(Witness excused)

MR. CLARK: The plaintiff rests, your Honor.

THE COURT: Do the defendants have any rebuttal?

MR. REYCRAFT: No, your Honor.

THE COURT: So the government finally rested and the defendants finally rested.

Intervenor?

MR. McENERNEY: We rest, your Honor.

THE COURT: I guess that concludes the testimonial aspects of the case.

The Court would like to just make a statement to counsel who are present and who may have participated in the work done to present this case back at the office, your respective offices: That is that I am deeply appreciative of the cooperation and fine, traditional aspects of our [2257] profession that all of the attorneys in this case have demonstrated. The work that has been produced so far shows proficiency and excellence unmatched by any case I have had so far.

I appreciate that the lawyers here are directly responsible, but I would also like my comments to be made known to the attorneys perhaps who have worked back in the home office on some of it. But most of all, of course, to counsel who have been here in the courtroom in the past month or so.

I know the government is kind of an impersonal client, but Mr. Clark and his associates have done an admirable job, and the Court wishes that noted.

MR. CLARK: Thank you, your Honor.

THE COURT: With respect to the defendants and intervenor, who have live clients, so to speak, I just

want to convey to them through the record that I just could not think of one aspect of this type of case that counsel have overlooked, and the extraordinary excellence shown in this case as scholarly presentation. With respect to the Court, cooperation has not been surpassed by any case I have ever had, and I [2258] appreciate it.

So we will not recess until perhaps somewhere around February 8th.

(Time noted: 3:00 o'clock p.m.)

UNITED STATES DISTRICT COURT
DISTRICT OF CONNECTICUT

Civil Action No. 14583

UNITED STATES OF AMERICA, PLAINTIFF

v.

THE CONNECTICUT NATIONAL BANK and THE FIRST NEW HAVEN NATIONAL BANK, DEFENDANTS

and

WILLIAM B. CAMP, COMPTROLLER OF THE CURRENCY, INTERVENOR

STIPULATION

IT IS HEREBY STIPULATED AND AGREED by and between the parties that

1. Morgan Guaranty Trust Company has four officer/representatives who solicit business in the State of Connecticut. These men spend a total of 20-22 man-weeks per year.

2. Chase Manhattan National Bank N.A. has six officer/representatives (three each in the Institutional and Corporate Finance Divisions) whose primary duties include soliciting business by making calls in the State of Connecticut. The three persons employed in the Corporate Finance Division spend approximately 15-25% of their time making calls in Connecticut, while a larger percent of the time of the three individuals in the Institutional Division is devoted to making solicitation calls in Connecticut.

3. Chemical Bank has five officer/representatives who travel regularly in Connecticut calling on accounts and prospects in Connecticut. From September, 1971 to August, 1972 these men spent a total of 92 business days calling on such accounts and prospects.

4. Bankers Trust Company employs two officer/representatives to make calls on accounts and prospects in Connecticut. These men spend a total of 7½ weeks per year

making such calls with 5 weeks being devoted to solicitation of new business.

5. Manufacturers Hanover Trust Company employs two officer/representatives who spend a total of four man-days per month making solicitation calls in the State of Connecticut.

6. First National City Bank was unable to give any approximation as to the number of persons making solicitation calls in Connecticut or as to how much time those making such calls spend in the State of Connecticut. This is due in part to the fact that First National City Bank is organized on an industry rather than a geographic basis.

7. The above business solicitation calls made by the six New York banks are directed primarily to national, publicly-held corporations. In addition, solicitation calls are made to correspondent commercial banks and thrift institutions located in the State of Connecticut. Although solicitation calls may be made to other types of accounts or prospects, no attempt was made to gather this information.

8. One recognized outgrowth of the establishment of correspondent banking relationships is the participation in loans by the banks in a correspondent banking system. Loans which are arranged on a participating basis typically represent cooperative, rather than competitive, efforts to meet the credit needs of a particular customer. In this regard, the lending limits of each of the six New York banks are substantially in excess of the lending limits of all Connecticut banks combined. The soliciting officers of the New York banks also call on accounts held by their correspondent banks but generally offer to provide services other than and in addition to those being presently provided by these local correspondents to their customers.

9. The six New York banks solicit accounts throughout the United States.

Dated: November 8, 1972
Bridgeport, Connecticut

Attorneys for Plaintiff
United States of America

Attorneys for Defendants
The First New Haven National Bank and The Connecticut National Bank

Attorneys for Intervenor
William B. Camp, Comptroller of the Currency

SO ORDERED:

U.S.D.J.

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF CONNECTICUT

Civil Action No. 14583

UNITED STATES OF AMERICA, PLAINTIFF

-against-

THE CONNECTICUT NATIONAL BANK and THE FIRST NEW HAVEN NATIONAL BANK, DEFENDANTS

-and-

WILLIAM B. CAMP, COMPTROLLER OF THE CURRENCY, INTERVENOR

United States Court House
New Haven, Connecticut
Monday, February 26, 1973
2:30 o'clock p.m.

Before:

HON. ROBERT C. ZAMPANO, United States District Judge

[2] Appearances:

DEPARTMENT OF JUSTICE,
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-and-
FRANK K. BENTKOVER, ESQ., Trial Attorneys

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UNITED STATES TREASURY DEPARTMENT,
15th and Pennsylvania Avenue, N. W.,
Washington, D. C.
BY: CHARLES H. McENERNEY, JR., ESQ., Trial Attorney

[3] PROCEEDINGS

THE COURT: I am going to proceed to the civil matter.

Are counsel ready for oral arguments in United States versus Connecticut National and First New Haven?

MR. CLARK: Yes, your Honor.

MR. REYCRAFT: Yes, your Honor.

THE COURT: I will hear you.

MR. CLARK: Your Honor, I expect my argument will take approximately an hour, if that is all right.

THE COURT: Yes.

MR. CLARK: I will start right off, your Honor, as we have, I guess, in the past, with the issue of the definition of the product markets, line of commerce.

I think the Supreme Court decisions in Philadelphia National and Philipsburg speak with the necessary authority on this issue.

In Philadelphia National the defendants were two large big-city banks in an area where there was competition from mutual savings banks.

In the Philipsburg, some eight years later, [4] the defendants were two small banks operating in a relatively small-town market area. These banks, in contrast

with the banks in Philadelphia, were much smaller banks, and they resembled to a much greater extent, I think, thrift institutions. They had of their total deposits approximately 71 percent with time and savings deposits.

Your Honor, I think these two cases represent two extremes, and I think that they indicate that the Supreme Court does mean it when it says that commercial banking is a line of commerce.

The important point to be gained from these cases is this: The mere fact that savings banks offer some competition for some services that are also offered by commercial banks is not enough to eliminate the commercial banking line of commerce.

The Supreme Court expressly dealt with that issue in Philipsburg. It said, "Submarkets such as the District Court defined—e. g., time and savings deposits, mortgage loans—would be clearly relevant, for example, in [5] analyzing the effect on competition of a merger between a commercial bank and another type of financial institution, but submarkets are not a basis for the disregard of a broader line of commerce than has economic significance."

It is not enough, your Honor, to show that there is some competition for some services; and I think it is eminently clear from the record in this case that commercial banking has in and of itself economic significance in Connecticut.

I do not think it is necessary for me to reiterate all the ways in which commercial banks are unique in Connecticut, but there are many. Commercial banks offer a full range of corporate and commercial services, a full range of deposit services, a full range of trust services, a full range of loans, including commercial, real estate, installment, single-payment loans. Commercial banks offer one-stop, full-service banking; and that is a fact. It is a fact in Connecticut that commercial banks are unique, and that is the test under Section 7 of the Clayton Act.

Defendants would combine the total deposits of the two institutions; that is, commercial banks [6] and sav-

ings banks. They would throw them all into one pot from which the effect of this consolidation would be gauged.

The effect of that is the two institutions are the same; they are substitutable; they are interchangeable. It does not matter if the only two commercial banks in a market merge as long as there are plenty of savings banks. It does not matter if there are any commercial banks, because the savings will do just as well; but, of course, they won't because they can't. They do not do the same job. There is some overlap, but that overlap does not mean that commercial banks are not a line of commerce.

Mr. Hawley, president of Connecticut National Bank, agreed he is willing to have nine members of his board of directors also sit on the board of directors of People's Savings Bank but none also sit on another commercial bank. Why? Because they are different types of institutions.

This is, in the end, an issue of law, and the issue of law involved is not whether there is some competition between savings and commercial banks but whether commercial banking is a line of [7] commerce. The Supreme Court has said yes three times, under such varying circumstances that lead one to conclude as a matter of law that it must be so, in virtually any market conceivable.

So, to turn to the definition of the geographic market section of the country, this is difficult to discuss in the abstract, in the absence of a discussion of the effects. I think the two are intertwined. I will try to treat them that way.

The first lesson which the Supreme Court cases tell us in this area is that there can be more than one relevant section of the country, and, if the effect of any relevant section of the country is to substantially lessen competition, then the merger is a violation of Section 7. That was the holding of the Supreme Court in the Pabst decision.

The second lesson in this area to be gained from the Supreme Court bank cases is the significance of convenience in commercial banking. In both decisions, Philips-

burg and Philadelphia, the Court noted that customers tend to bank where it is convenient. For individuals that is where [8] they live or work or shop; for corporations near their places of business.

Certainly, your Honor, I think the evidence in this record bears this out. The data which is in the record regarding the place of origin of the business of offices of the defendants shows, I think beyond question, that these offices derive a very great portion of their business from within the immediate area, the immediate metropolitan area within which they are located. Convenience is a factor, I think, even for the largest customers, though clearly less so; but there was testimony as well that large customers prefer to bank where it is convenient, everything else being equal.

Given this factor, then, it appeared to plaintiff, and still does, that local banking markets exist in Connecticut. It is undisputed, I think, that New Haven customers do not bank in Hartford, Hartford customers do not bank in Bridgeport, Stamford customers do not bank in Danbury, for the most part; and I think the defendants would be the first to say that, for the most part, Bridgeport customers do not bank in New [9] Haven and vice-versa.

This being so, the fact that banking is localized and that customers tend to bank where it is convenient, it does indicate, your Honor, it seems to me, that there are local markets which exist in Connecticut; and I think that the evidence in this case shows that metropolitan areas are the most meaningful local markets. Towns, I think we all agree, are too small. There is substantial evidence of the extent of commerce between towns in Connecticut. Boundaries of towns are political boundaries and not economic ones, and boundaries have no relationship to economic matters.

Plaintiff has alleged that the SMSA is a reasonable approximation of a relevant banking market, metropolitan area. It is not perfect, we have never alleged that it was, nor is it necessary that we prove a perfect market. We need not delineate each and every market by meets and bounds—and that was the language used by the

Supreme Court in, I believe, the Pabst case, and it had the same holding in Brown Shoe, where there were several local markets involved.

[10] But, nevertheless, we believe that the SMSA is a good approximation of a metropolitan area relevant to this case, because the SMSA is founded upon commuting patterns, and that means that most of the people, most of the bank customers, both live and work within an SMSA, and, therefore, that, coupled with the fact that the leading banks in these SMSA's, including New Haven and Bridgeport, operate offices throughout the SMSA's in most of the suburbs as well as downtown, indicates that these are self-contained banking markets, wherein most of the customers who live there also bank there.

Certainly the data which plaintiff has presented in its exhibits during trial support that contention. It shows that an overwhelming percentage of the business of the defendants' offices located within these SMSA's—in particular the Bridgeport-New Haven SMSA's—comes from within that SMSA. And it is that kind of data which the Supreme Court relied on in both Philipsburg and Philadelphia National in its construction of the relevant geographic markets.

The defendants have not offered an [11] alternative local market. They seems to say that there are no local markets. They have said only that the state is a market. But, your Honor, if there are no local markets, there is no potential competition; it is all actual competition.

It is arguable that, in a broader sense, the state is a banking market. One could arrive at that conclusion by looking at only the banks—that is, the sellers—and not at the buyers, or the customers, which is what I think the plaintiffs have done. They have said, "Now, look, we have several large banks, and they operate in several areas throughout the state; some are operating almost statewide, and most of the large banks do come into competition with each other at some point in the state; and, therefore, "I think they have said, "the state is a market, because most of the large banks in the state compete with the other large banks at one place or another."

But, that being the case, your Honor, in that market, the effect of this merger is horizontal; that is, there is no potential competition, this is an actual competition case, [12] and the test in such a market, as clearly established by the Supreme Court, is statewide concentration, the effect of this consolidation on statewide concentration.

All the experts who testified on that subject in this case agreed—Dr. Murphy for the plaintiff, Dr. Stokes for the defendant, Mr. Donovan for the intervenor all testified, in a statewide market, statewide concentration is the relevant means by which the effect of this consolidation is to be tested.

Statewide concentration in Connecticut is high and is getting higher. The share of total deposits held by the five largest banks in this state increased from 46 to 61 percent in the past fifteen years. Total deposits held by the ten largest—share of total state deposits—increased from 58 to 83 percent in the last fifteen years. That is high concentration, and it is getting higher.

The defendants' share of this market is 6.6 for Connecticut National and 4.7 for First New Haven; combined, 11.3 percent.

Under the several Supreme Court cases [13] involving actual competition, beginning with Brown Shoe back in the early 1950's and continuing right on through Philipsburg in 1970 or '71, there simply is no question about the fact that such an increase in concentration is a violation of Section 7.

We discussed these cases in some detail on pages 29 to 33 of our post-trial brief, and I do not think it is necessary to discuss them each again except to reiterate that this area of the antitrust laws—that is, which involves actual competition—is one of the most settled and concrete of all.

The several Supreme Court cases established specific guidelines for mergers involving actual competition, and there seems to be no doubt to me, your Honor, that within these guidelines this merger violates the law.

I think the District Court, in the United States versus Provident National Bank, correctly interpreted the Supreme Court decisions as they apply to that case. I would

like to quote from that opinion: "This Court accepts the fact that both Provident and Central-Penn would [14] become a better and more competitive bank after the merger, but this fact does not offset the loss of Central-Penn, which is a growing and healthy bank in an oligopolistic market."

The case we feel controls the merger before us is United States versus Von's Grocery. The facts in this case are parallel to those in Von's. Here the merger involves the fifth and seventh largest banks in the four-county area. The resultant bank would control approximately 10 percent of the relevant market, thus exceeding the percentage figure in Von's by approximately 2 percent. The Philadelphia market unqualifiedly can be characterized as one where there may be a long and continuous trend toward concentration.

In their briefs defendants and intervenor appeared to come up with a new geographic market, as best that I can tell, involving the combined service areas of the defendants. These service areas meet and overlap, as we all agree.

I assume that defendants are saying "Let's not just take the area where they overlap; let's take all the service areas." But, your Honor, the result is the same; in fact, the increasing [15] concentration from this combined service area section of the country is much worse than on a statewide level, because in their own service areas the defendants are the largest or among the largest throughout.

If the consolidation violates the law in the statewide market—and I believe there is no question that it does—it must violate the law in the combined service area, where the defendants' market shares are substantially higher than they are on a statewide basis.

Defendants would include the New York banks as competition in the Connecticut banking market. They should not be. The New York banks only have a very limited role. They are convenient alternatives for commuters from Lower Fairfield County. These commuters form a very small part of the Connecticut labor force, 1.7 percent to be exact, as we have shown in the record.

Secondly, they come from a very small part of the state —and that is the lower part of Fairfield County. The evidence shows that there is negligible commuting into New York from any areas east or north of Norwalk, and, even in those areas where [16] there is some commuting, those commuters represent only about 20 percent, at the highest, of the total labor force in those areas. So I do not think that the commuters, your Honor, are sufficient basis for bringing in the whole of the New York banks into this market.

The New York banks also serve some large corporations operating in this state, but in Philadelphia National the Supreme Court specifically excluded this type of business from its consideration in drawing the relevant geographic market.

The Court said that to attempt to draw a market that would include all business would be unrealistic and would not properly stay the competitive effect of the merger, and the Court noted that for these large national corporations there are banking alternatives in a broader area throughout the country and that it is not necessary that they be included in the definition of the geographic market.

The stipulation which the parties entered into which relates to the solicitation which the New York banks do in this state says that their [17] primary efforts are to solicit the business of the large national corporations operating here, as well as to solicit the business of correspondent banks operating here.

Correspondent banking is something apart. Every bank has a New York correspondent, and these New York banks have their Connecticut correspondents in mind when they come into this state. Our stipulation, B-83, states that the New York banks customarily offer services to customers of their correspondents which are different from services which these correspondents give to these customers.

I think it is important to look at the way in which defendants view these New York banks.

There was a study done in 1968 by officers of the Connecticut National Bank of their offices in Lower Fair-

field County, and there was an attempt made to find out the extent of competition in that area from New York banks; and this study, which is in the record as Plaintiff's Exhibit 103, shows that these branch managers in that area felt very little competition from New York.

The record also shows that Connecticut [18] National, operating, as it does, in Fairfield County, monitors the service charges, operating hours and so forth of all the banks that it considers to be in competition with it. The New York banks are not so monitored.

If the New York banks truly offer serious competition in Connecticut, the defendants need not worry about becoming as big as the Hartford banks, they need not fear competition from the Hartford banks, because the New York banks are some four or five times as big as all Connecticut banks combined.

I think that the New York banks play a very special and a very limited role in Connecticut, and I think that the record is quite clear that they should be excluded as significant competitors within the Connecticut banking market.

But we have also pointed out, your Honor, that if the business of these New York banks is included, it is not sufficient to alter the effect of this consolidation. The dollar amount of such business, as reported by the Special Master, amounts to about 8 percent of the total deposits held by all Connecticut banks, and by [19] number of accounts it amounts to about 1 percent of the number of accounts held by all Connecticut commercial banks. The reduction in concentration caused by the addition of these additional deposits is relatively insignificant and would not change the result under the law as it stands today. By adding in these dollars to the total Connecticut commercial bank deposits, defendants' statewide market shares are reduced only to 6.1 percent and 4.4 percent, and that is still a violation. And if we double that— because I know the defendants have said we did not get it all, the Special Master did not get it all, and there is probably more, although I would contend, your Honor, that they got too much, because we know that a good portion of those deposits are deposits of these national corpora-

tions which operate nationwide and should be excluded—but let's double it, and the market shares of the defendants are still 5.8 and 4.1 percent, just under 10 percent, a violation.

Now to return to the local markets, local markets which plaintiff alleges exist. If they exist, the defendants are obviously not in [20] actual competition with each other in all of them; thus, potential competition is an issue, and it is clear that a merger which eliminates significant potential competition is a violation of Section 7, at least four Supreme Court cases have said so, and we discuss them on pages 43 to 45 of our post-trial brief. Two more cases are pending in the Supreme Court, and we expect them to be decided shortly. I am sure that they will give additional guidance on this issue.

But this much is also clear, your Honor: This case involves a far more serious elimination of potential competition than any of the previous District Court cases involving potential competition in banking.

Both defendants here are potential entrants into the markets served by the other; both are large banks, and in all but one of the earlier cases one bank was quite small—in fact, less than thirty million. This is two-way potential competition, if you please, and the others were one-way.

The objective evidence of potential competition was not as strong in any of those [21] cases as it is here. The trend toward statewide banking, toward statewide concentration, the probable triggering effect, all are more significant here than they were in any of the other lower court cases.

Moreover, potential competition aside, in none of those cases were the defendants in actual competition, as they are here, and in none of those cases was the state relevant section of the country, as it is here.

But, to return to the analysis of potential competition in this case, the first question, of course, is: Are the defendants potential entrants into the local markets served by the other? I believe that the objective evidence is quite strong in the affirmative.

First, these local markets are attractive and are growing, from the defendants' application to merge, which spoke of the significant strength in the Connecticut economy, to the Comptroller's decision approving this consolidation, which described Connecticut as a lush banking market and noted the—I believe the word is "explosive," or something akin to that, economic growth, to the [22] data and the testimony which the plaintiff introduced at trial concerning the sustained and expected growth in the future. These local markets are attractive, and that is especially the case in this corridor through Hartford, New Haven and Fairfield County.

Messrs. Hawley and Chadwick, the presidents of these two defendants, testified to that effect. Mr. Hawley said New Haven was attractive to his bank, and so was Hartford. Mr. Chadwick said his bank has been making eyes at Fairfield County and Hartford. These are attractive markets to these banks.

Second, the relative size and expansion history of these defendants indicates that they do have the capability and incentive to expand into each other's markets. Both are among the largest banks in the state. Both have branched extensively.

Connecticut National Bank is one of the most aggressive banks in the state in de novo branching; in fact, during the fifteen-year period from 1955 to 1971 they opened more de novo offices than any other commercial bank.

[23] First New Haven was also aggressive in expanding, although did not expand to such a great extent outside the Greater New Haven area until recently, when they made a decision to expand de nôvo into the east shore area; and, while this expansion has been postponed pending this litigation, it is clear from the record that such a decision was made. This objective evidence, your Honor, of First New Haven's incentive; it is capable to expand de novo into new market areas.

Connecticut National applied for a de novo branch in West Haven. This is objective evidence of Connecticut National's interest in entering the New Haven banking

market. I think it is significant, your Honor, when we talk about objective evidence.

I would like to refer to one of our exhibits, P-99, which is a memorandum written by two First New Haven executives, Messrs. Tersakis and Johnson, back in 1969. At this point, when they wrote this memorandum, this was some three years ago, and they were attempting to forecast, if you will, possible ways in which First New [24] Haven could continue its position of strength not only in New Haven but in the States of Connecticut; and, of course, they only had the objective evidence, the verifiable evidence which is available to us, in terms of Connecticut National's intentions for the New Haven market.

They said—two officers of First New Haven said—"We cannot visualize such aggressive banks as CBT, Hartford National or Connecticut National restricting their branching activities to their present market areas. These banks have gone on record as desiring statewide representation. If banking in Connecticut does move towards a seats-of-power stance—Hartford, New Haven, Stamford, Bridgeport, for example—we can expect these banks will acquire seats in each of these power centers."

In other words, objectively it looked to First New Haven as though Connecticut National Bank was a potential entrant into the New Haven area.

In general, your Honor, I think the record is very clear that there is, there has been, an irresistable trend toward statewide banking in [25] Connecticut; all three versions of Connecticut banking, at least which we submitted pursuant to your Honor's request certainly agreed on that.

There have been dramatic changes in Connecticut banking in the past few years, dramatic geographic expansion, and it is the ten largest banks in this state that are responsible for that. We have seen a significant increase in the number of offices operated by these ten largest banks outside their headquarters metropolitan areas.

There were only fifteen such offices in 1955. There were 217 in 1971. The ten largest banking organizations in this state were responsible for 74 percent of the

de novo offices opened during that same period, and 89 percent of the mergers.

THE COURT: From your point of view, is that healthy, this statewide activity?

MR. CLARK: Yes, sir. Statewide expansion by de novo branching and by total acquisition is healthy.

THE COURT: Regardless of how they do it? Or is how they do it a condition of your answer?

[26] MR. CLARK: Yes, it is; it certainly is. I think that, in fact, is the—

THE COURT: If there are certain advantages to statewide banking to the community involved and big corporations and small businesses, what do the purchasers care how? Say First New Haven went statewide. What do the purchasers care if they are statewide because of merger, because of de novo branching or because of holding companies?

I mean the purchaser says "Great, this is what I need to do business with, with this bank." Why does a purchaser care how First New Haven becomes statewide so long as it is statewide?

MR. CLARK: I think that the important thing to the bank customer, your Honor, is not that a bank is statewide, because he banks locally. The important thing to him is that there is the most competition for his banking business. Competition is what benefits him.

If the larger banks in this state become statewide by merging with other large banks, that is going to eliminate competition; it will do nothing for that banking customer, because he [27] is going to be dealing with that same bank and with that same few numbers of banks that he has always been dealing with; and there would be eliminated the prospect for new competition in that market area where he banks.

THE COURT: Are you saying that statewide power in banking is good and healthy for the state but it should not be accomplished through merger? Right?

MR. CLARK: Yes, your Honor, it is good and healthy for competition, and it should not be accomplished through large mergers which combine significant potential entrants or which combine leading market shares in

one market with a significant potential entrant waiting on the wings.

THE COURT: Then let me ask you this:

After the officials of First New Haven testified in this case, just based on their testimony alone, are you satisfied that that bank can make the advances in this state on its own through de novo branching?

MR. CLARK: I certainly am, your Honor.

THE COURT: Tell me on what you base that [28] answer. What do you see in the record to support that answer?

MR. CLARK: We have seen how this bank can expand within a more limited area. We have seen that they can expand by small merger and that they can expand through de novo branching.

I see attractive growing market areas. If this First New Haven bank puts up a branch in the Bridgeport area or the Hartford area, that area is a good banking market; that branch is going to make money because there is banking business there to be had, and there is going to be growth which will sustain and support that new office.

First New Haven is one of the largest banks in the country, one of the largest 2 percent of the banks in this country, and I believe, based upon the profitability of their branches, based upon the profitability of the bank, based upon the fact that there are several small banks in these markets, as well as significant opportunities for de novo branching, that First New Haven can make a go of it. And so did these two First New Haven officers back in 1969; they believed the same thing. They recommended de novo branching for [29] First New Haven National Bank. It never got beyond their recommendation because shortly thereafter First New Haven entered into these merger negotiations.

One of these two First New Haven officers is now president of New Haven Savings Bank, Mr. Johnson. He testified in this case, and he testified that he wants to be a statewide bank, and he said that he wants to do it, if he can, by a larger merger, possibly with People's

Savings Bank in Bridgeport. But he also said, your Honor, I think candidly, that, if such a merger is not possible, de novo expansion is; and, if it was possible for Paul Johnson when he was with First New Haven and now when he is with New Haven Savings Bank, it is possible for these banks today.

We have a problem, your Honor. They have not done it yet. There is this difficult burden, if you will, of meeting some kind of burden of proof that there is at least some potential that they will do it in the future.

I do not think it is enough to say that because they have not done it yet they cannot or [30] won't do it. I would prefer to look at the trends, look at what has been happening in the past few years.

If we had looked at this state fifteen years ago, we would have seen all these little banks—not so little, but leading banks in Hartford, Bridgeport, New Haven—operating in their own metropolitan areas; and they might have said, well, this is the way it is always going to be because this is the way it always has been. But, of course, that is not the case.

Perhaps the best example of that is one that we have referred to many times, of course, and your Honor is familiar with it: the proposed consolidation of Connecticut National and Connecticut Bank & Trust Bank in 1968.

As you know, the Department of Justice sued to prevent that merger, and it was abandoned. "In no way," these banks told us, or answered in their answer, at least, "will we be in competition with each other if we cannot have this type of large marger." Of course, they are, only two or three years later. They are in competition with each other, and it is [31] significant competition.

I cannot stand here, your Honor, and say that I know that First New Haven will do it; I do not believe that it is my burden, your Honor. I believe that the objective evidence strongly indicates that they have the capability, they have the incentive, and they have the means to do it.

With respect to P-99, this memorandum that I have referred to, these gentlemen, when they wrote this, were

under the impression that significant bank mergers such as this one would not be permitted. I mean it was their belief then that they could not do what they are trying to do now. Far from throwing up their hands and sitting back, they recommended a significant de novo expansion, using the holding company technique, using the de novo charter method into closed towns.

There was testimony we heard at the trial about the cost of such expansion but no convinced—

THE COURT: Let me ask you a question, because you mentioned this particular exhibit on [32] numerous occasions throughout the trial and I have not decided what weight to give it or what weight not to:

What if they came back with six memos from six different officers of their bank, saying in no way will the Department of Justice or the courts refuse the merger? These are two laymen, officers of a bank, who are asked to look into a certain situation. They wrote a report. How significant, really, is that; do you know?

MR. CLARK: Perhaps, your Honor, by itself it is simply another expression of management, you know, capability.

THE COURT: Don't you think at stages bank officials of the top echelon like to be fed in all sorts of information, so they ask different officers and employees "Write me a report on this" and "Write me a report on that" and "Write me a report on this," and after you go through all these files you probably will find, I suppose, somebody giving them the opinion that the merger was a valid one?

MR. CLARK: Oh, yes, right, your Honor.

THE COURT: So they introduced that. You [33] say, "Well, the fellow that wrote that is not a lawyer, is not from the Department of Justice, is not a Judge."

I only mention that because you have been on these two officials quite a bit.

MR. CLARK: Our case does not ride upon this exhibit. That is the very reason why, your Honor, I think the objective facts, that are objectively verifiable by your Honor and by independents, are the most important, are most significant in making a determination of this kind.

We cannot read minds, nor can we look into the future. We have to deal with what we have.

My purpose in referring to this exhibit was not to try to say that, well, this was in their minds or this is what they will do, but only to, I think, perhaps make an illustration that bank officers make different decisions when faced with different variables.

These officers, at the time they wrote it, were under the opinion that this was the only way they could expand; and so, given that set of circumstances, their decision was not to sit back [34] but to go ahead.

The point I am trying to make is that banks, corporate executives, choose that means which they believe to be most desirable, and, having made such a decision, they then, of course, back it to the hilt.

But, if that most desirable means of expansion is not available, I think that the objective evidence indicates, your Honor, that these defendants would rethink their position, and that the objective evidence indicates that there are ways in which they can expand, in which they can become statewide, and do it in a procompetitive way and thus benefit competition.

I am not trying to prove what is in these men's minds and what is in the minds of these defendants, because I cannot; I do not think it should be necessary. This was an illustration to show that bankers change their minds, if you will, when they have to.

There was testimony about the cost of de novo expansion, but I do not think—

THE COURT: I hesitate to do this, Mr. Clark, and I apologize, but there is one very, [35] very short matter left over from this morning, and in it involves a prisoner that has to be transported some distance away. With your indulgence, may we take that up? I will not lose the train of your argument, but I would like to get the marshals to get him back to prison in enough time.

(Recess in this matter)

THE COURT: All right, Mr. Clark.

MR. CLARK: Your Honor, if I could just return to that one last point, one other fact I think is relevant to that.

We have seen that both defendants three or four times attempted to acquire small banks in various areas, Stamford—well, there were other towns, five or six instances, I think, total. They were unsuccessful because somebody else bid higher.

Defendants subsequently entered those towns de novo. The merger was obviously their first choice, but when that choice was no longer available they selected an alternative method.

We heard testimony about the cost of de novo expansion. It did not convince me, your Honor. [36] There are ways of expanding de novo without the use of large amounts of capital.

Leasing facilities is one. The defendants have used this device extensively, and yet it was never part of their calculations when they attempt to present the cost of de novo expansion.

Other banks prefer to expand by leasing, State National Bank and Union Trust. State National is opening a brand new downtown headquarters building in Bridgeport, and it is being leased, so State National is not devoting one cent of its capital to that expansion.

Connecticut National, on the other hand, is spending three million dollars on its renovations of its home office. That is considered nonearning assets, according to Mr. Krafchik of Connecticut National. If they spend that same amount on earning assets—that is, branch facilities—I think that is enough to enter both New Haven and Hartford together.

I think the record shows that both banks now have adequate capital to spend what they need under the Comptroller's regulations, some three or [37] four million. If they needed more, I think the record shows they could go to the capital markets and get capital. Other banks do that all the time.

Defendants raise the issue of home office protection as a significant barrier to potential competition. It is a

rather self-evident fact, your Honor; and that is that home office protection is not stopping them so far.

We have seen how these banks expanded up to now, mostly post-competitive.

There are three ways home protection can be overcome. We have dealt with all of them: competition from branches in neighboring towns, foothold acquisitions, and de novo charters of banks in closed towns through a holding company.

Banks can and do compete downtown from suburban locations, and, as we know, there are open towns surrounding all the major metropolitan areas. Branch offices, from the data which plaintiff has introduced at trial, derive substantial business from neighboring towns.

Peter Stassa, who has been in banking in both Bridgeport and New Haven, testified banks now [38] compete in both cities from suburban locations.

As for the holding company technique, much was said at trial about the legality and the feasibility of it. The fact remains that it is a common practice in many other states, some states with branching laws just like Connecticut's.

The defendants have not shown how Connecticut differs in any way from these other states. The Comptroller grants new charters to holding companies in towns that it cannot otherwise branch into all the time, and it is clear that, from the record in this case, the Comptroller would not disapprove an application by a holding company for a new charter in a closed town merely because it would be controlled by a holding company.

The State banking authority has no policy on this issue because it has never come up, but defendants' efforts to show that there is a policy against such means of expansion failed. There is a provision in a charter application which they have pointed to, but it simply does not apply to holding companies and was not meant to, and the State Commissioner himself said "We have no policy."

[39] In any event, I think there is good legal authority that we have cited in our brief for the proposition that the State Banking Commission, even if it wanted to,

would not have the authority to deny a new charter application in a closed town solely because it may contravene state branching laws.

This means of expansion, the plaintiff puts forth, obviously has never been done in this state. But this is not a pipedream that plaintiff is putting forth.

As I said—

THE COURT: Aren't there holding companies?

MR. CLARK: There are holding companies. No holding company, to my knowledge, to date, has ever attempted to enter a closed town through a de novo charter.

THE COURT: How many holding companies are there?

MR. CLARK: They are growing all the time. There are two multibank holding companies that I know of, your Honor, at this time, and I think there is going to be another one, at least. So the holding companies exist.

[40] First New Haven—officers thereof—at least considered this means of expansion through holding companies, and so did Second National Bank, as Mr. Stassa testified. That bank had actually approved such a means of expansion, including de novo chartering, but for other reasons the plan was not carried through.

A second barrier which defendants raise to potential competition is that of regulatory approval. Given the fact that applications for new office must be approved by bank regulatory authorities, plaintiff rests on the simple fact—that is, above 90 percent of all de novo applications in this state have been approved over the past few years—there is nothing in the record to indicate that that would change. There is no evidence that any regulator has restricted his policies as they relate to de novo branching in any way.

Mr. Donovan's testimony regarding the population per banking office ratio I think is largely irrelevant. That ratio was not shown to be more significant than twenty other factors, and there was no showing that it had any bearing on [41] a single decision by the Comptroller in this state. In fact, that ratio, the population per banking office ratio in Connecticut, is higher than in most states,

and it is also true in more than half of the new, de novo entries in this state in the past three years that new office had the effect of lowering this ratio below the state average; the point being, your Honor, that there is simply no basis for a conclusion that, because of some ratio, all of this de novo expansion that we have experienced is going to somehow stop.

So, if I can return to the legal issues here, given the fact that the defendants are potential entrants into each other's markets, what is the effect of the elimination of that potential competition?

In the defendants' headquarters metropolitan areas, both are number one, both hold about 40 percent of the total deposits held by the banking offices in those metropolitan areas, and both are the most significant potential entrants into each other's headquarters metropolitan area.

These two banks are headquartered only about 20 miles apart, and some of their offices are [42] already in competition. Each is plainly the most significant potential entrant into the other's headquarters area, where that other bank is already number one. This is number one potential entrant merging with number one competitor in that local market; and we believe, your Honor, this is a violation, a clear violation, of elimination of potential competition, under Section 7.

Implicit in any analysis of potential competition is the definition of the geographic market, an analysis of market structure defined by concentration ratios. This analysis follows—plaintiff's analysis—this procedure. Defendants did not use banking markets; they used towns, towns around the markets. They did not use any concentration ratios. Their town-by-town analysis of potential competition I think, your Honor, is largely irrelevant to the real world of Connecticut banking.

But, in the end, I think the proposition of potential competition is pretty simple.

Plaintiff contends that banking in Connecticut, number one, as it has before—the [43] geographic expansion in recent years so prevalent and fueled by the steady economic growth will continue. Such a trend must bring defendants into increasing competition with each other.

Defendants, on the other hand, have called a halt. They and the other large Connecticut bankers will change their minds about the wisdom of expanding their geographic banking area.

Banking regulators, who have heretofore passed almost 90 percent of applications, will change their standards. Small banks, which heretofore have been acquired at the rate of three or four a year, will decide not to merge any more.

Thus, defendants and not plaintiff are the parties who are urging a more radical position.

As I said, your Honor, the trends toward statewide banking in this state are unmistakable, and I think the essential issue before this Court is whether it shall be accomplished by de novo expansion and by foothold acquisition, which would result in perhaps ten or more statewide banks and a much more competitive market structure, or by a series of mergers such as this one, radically [44] reducing the number of potential banks and increasing the already high concentration of banking in this state.

There is another statewide effect, your Honor, one which is separate and distinct from the others, and that is the effect that this consolidation would have in encouraging and in sustaining the recent trend which we have seen in this state of mergers between two large banks. There is the so-called triggering effect.

There is no doubt that this consolidation will affect other banks. They are all aware of this case. They are all watching it, as we had testimony in this trial.

There have been merger discussions between other large banks. We heard Dr. Stokes testify that there probably would be more consolidations like this one which would follow, and he said that it is good.

Whether good or bad, it violates the law. The Supreme Court has said so several times. It said so in Brown Shoe, in Philadelphia National, in Von's Grocery, in Pabst, in Continental Can. In all of them the Court held that, where the [45] effect of a merger may be to sustain or encourage a trend toward concentration through merger, that effect by itself violates Section 7.

Once again, I think the District Court in the Provident case correctly saw the meaning of these decisions as they applied there. He said, "We have determined generally that the immediate effect of this merger will not decrease competition in the four-county area; however, before a merger can be approved, this Court must look not only to its immediate effect but also the probable effect this merger will have in the future.

"As stated before, the number of independent commercial banks in the four-county area has been substantially reduced. At present, the number stands at 37, with at least four mergers pending. Approval of this merger might well encourage more mergers, which will reduce the present number substantially."

Your Honor, at this point, with relation to this issue, I would like to move that the record be reopened to admit the fact in the past few days there has been another significant [46] consolidation proposed, that between one bank holding company, which controls Union Trust Company, the third largest bank in the state, and First Connecticut Bank Corporation, the ninth largest banking organization. This was just recently announced in the past few days, but I think it has a direct bearing on this case.

I do not think there is any question of the fact that agreement has been reached, which is the only fact that I want to enter at this point.

THE COURT: How is it relevant?

MR. CLARK: I think it is relevant to this trend toward concentration through mergers of substantial banks. This is number three and number nine, your Honor, and in this case we have number four and number eight.

I contend that this is what, first of all, were the objective evidence foretold, would happen. I do not think that it is the last by any means, but it certainly is one of a continuing trend of mergers between large banks, which trend only became evident three or four years ago.

THE COURT: Why are large banks trying to merge?

[47] MR. CLARK: Your Honor, perhaps that is

what we spent a good part of this trial arguing about. I do not know that I can—

THE COURT: I mean haven't they said—or at least officials have said—"We are trying to compete with the Hartford banks on a statewide basis; we feel we can't do it any other way"?

You are, in effect, saying this would be good. Yes, the ten statewide banks. I suppose no one would deny that.

I asked you before whether you thought these banks, individually or separately, could do it, and you said yes. One thing I failed to ask you: How long do you think it would take some third bank to be statewide? Or are you not willing to concede there are only two statewide banks right now?

MR. CLARK: That is correct, your Honor; I think there are only two.

THE COURT: When do you think we will see a third?

MR. CLARK: We will see a third if this Union Trust-First Connecticut Bank goes through. They will be statewide

[48] But that is harmful, your Honor. The mere fact that another bank is statewide means nothing if they accomplish that end through a merger of two significant banks.

THE COURT: Yes, I understand your point. That is, you know, a factor that you have been arguing, one I will have to very seriously consider.

But let's assume that the merger does not go through, that we stop mergers in this state. When will we see a third statewide bank?

MR. CLARK: I do not know, your Honor.

THE COURT: Say everything goes your way.

MR. CLARK: I would expect to see both—

THE COURT: What would we see ten years from now in this state? What is your best forecast? I know you cannot look in a crystal ball. You cannot tell me what these banks will do separately if this merger is denied; I know that. But what is your best—you are willing to forecast what they are going to do, right, if

this merger is denied? You are saying "I forecast that they will still proceed to enter into these various areas through de novo, through [49] holding companies." What is your forecast if all mergers are stopped by the courts when the Department of Justice intervenes? What will the banking situation look like in ten years in Connecticut?

MR. CLARK: Your Honor, if I may distinguish between large mergers and small mergers, because there is a significant difference, I do not think that the Department is capable of or necessarily desires to stop all mergers; and, in fact, of course, we have not.

Just as an aside, there are thousands of bank mergers every year, and many in this state, as you may well know, which no one took any opposition to.

THE COURT: Yes.

MR. CLARK: So, if the Department is successful in stopping big mergers, mergers between two big banks, substantial banks, I think that the objective indicates that there are at least ten banking organizations capable of becoming statewide organizations through de novo activities and small mergers, and that we could expect this to start immediately.

[50] I do not know how long it is going to take and I do not know what these two banks will decide at their board of directors meetings, but this is what the objective evidence tells me, your Honor. To go all the way back to 1955 and see what it was like then, and then to see what it was like today—this is simply an extension, I think, of the trend which is so evident.

We would have expected in 1955 that the biggest banks —that is, the Hartford banks—would be the most significant, perhaps the ones that might try it first, because size is a factor; and that is in fact what happened.

Size continues to be a factor, and both of these defendants are among the largest in the state; so I would expect procompetitive expansion to begin; and, in fact, it has already begun. It has been going on all the time. It is just a question of whether they are going to do this in one jump or in several small ones.

THE COURT: When are there enough competitors in a market to have the situation such that it is a good competitive market? In other words, is it your opinion that, if there are [51] ten competitors in the market in a certain area, that is much better than four?

MR. CLARK: Yes, sir.

There is this additional dimension—

THE COURT: Isn't there a point where the competition can aid the purchaser only to a certain degree, and then beyond that you put a hundred competitors in?

Take a gasoline company, just to argue it academically. So the gasoline station charges 45 cents a gallon of gas. Another gas station opens up at 42, so now we are down to 42. Another one comes in at 41 cents, another one comes in at 40, and then ten more come in, but that's it; no one could go below 40. I mean you reach a point where, if you put another twenty gas stations on that strip of highway, they reach a point where the price would level off and there is just no way that the purchaser or the consumer is going to benefit.

But maybe the fourth or the third entrant into that market is the one that did the job for the consumer with respect to competition.

But you are saying no, if you had ten, then [52] you had eleven, then you had twelve, then you had thirteen—the more you put into an area, proportionately, there is a benefit.

MR. CLARK: There is, your Honor.

The cut-off point is perhaps not even possible to define. In this trial there was testimony about the so-called pure competitive markets, and that was the farm commodities, where there are literally thousands and thousands of sellers.

This much is clear: that, first of all, one looks not only at the number of sellers, the concentration of, in this case, deposits—that is, the distribution—of size, and of business within this unit of sellers. In every market that we are dealing within this case the concentration, the distribution, is high, and it is high according to standards which economists have used for several years and which the Supreme Court, itself, has recognized.

There is simply no question that when one looks at all these Supreme Court cases dealing with this subject, both horizontal, actual and potential competition, and looks at the [53] concentration in those markets, and compares them with these markets in Connecticut, there is simply no other conclusion but that these are highly concentrated markets; and economic theory would tell us that in such a market there is at least a tendency—there is the ability of these competitors to compete on a less than perfect level.

In every one of these markets—in New Haven and Bridgeport, for example, where the top three banks control 80 percent of the deposits, that is highly concentrated; and potential competition is a factor in such a market.

THE COURT: Let me ask you this last one question:

Is it better, in your opinion, to have three, four or five statewide banks in five years than ten statewide banks in twenty-five years?

MR. CLARK: Ten in twenty-five years, your Honor. Simply no question about it.

THE COURT: In the meantime, the two statewide banks are having a field day, though, in a way; aren't they?

MR. CLARK: Your Honor, I do not think so, [54] and I certainly want to address myself to that:

I do not see that the record at all supports the proposition that somehow the Hartford banks are just outrunning everybody and that these two defendants are at a terrible disadvantage from which they will never be able to catch up.

In fact, if I can address myself to that now—

THE COURT: Yes.

MR. CLARK: —I will.

I think that contention regarding the Hartford banks is deficient both in fact and certainly in law.

In fact, I do not think there is any evidence that the Hartford banks have really hurt defendants since they entered these markets. They have taken some business away, but not so much that the defendants are in any sort of financial difficulty.

I think it is significant First New Haven selected out twenty-five large, medium-sized corporate customers within their service area and asked the Special Master to find out how much business the Hartford banks were doing with these [55] customers, customers that First New Haven selected, and the Special Master came up with four million dollars. The Hartford banks have penetrated these twenty-five customers for four million dollars, your Honor, which is a very very small amount; and these are customers which First New Haven itself designated.

Not even the Comptroller felt that the entry of the Hartford banks in these markets would really provide undue competition for the banks already there. He recommended another acquisition here in New Haven by the two Hartford banks—he approved one.

The only thing that is on the record are what I consired to be vague fears of the defendants' officers. Of course, this is new substantial competition. That is good.

For years defendants have been top dog in their respective markets. Now they have a new challenge, a significant new challenge, and this is how they meet it, by combining in what I think, under the law, is a highly anticompetitive merger.

The defendants are acting out of self- [56] interest, which, of course—there is nothing wrong with that, but their self-interest is not necessarily that of the bank customer.

Section 7 focuses on competition, not competitors. The issue is not what is good for defendants but what is good for competition.

So I think it is clear as a matter of law as well that this so-called catch-up argument, which is how we refer to it, is not sufficient; and there are several Supreme Court cases that say that, and we cite them on pages 83 to 85 in our brief. They include the Philipsburg decision, the Continental Can opinion, Ford Motor Company and Philadelphia.

Here is what the Supreme Court said about that in Philadelphia, where there were two banks, neither the largest in the city, but their contention was, "Well, we

need to be as big as the New York banks, because they're outrunning us here as they compete for the big customer. The Court said:

"We reject this application of the concept of 'countervailing power.' If anticompetitive effects in one market could be justified by [57] procompetitive consequences in another, the logical upshot would be that every firm in an industry could, without violating Section 7, embark on a series of mergers that would make it in the end as large as the industry leader. For if all the commercial banks in the Philadelphia area merged into one, it would be smaller than the largest bank in New York City."

So, as a matter of law, your Honor, defendants' contention that for their own purposes they need or want to be as big as the Hartford banks is not sufficient.

Furthermore, I do not think their contentions are supported on the record.

If I may, your Honor, I think I did ask that the additional proposed consolidation of these two institutions—

THE COURT: Yes.

MR. CLARK: —be entered in the record.

THE COURT: Could you be more specific as to the exact offer, so that counsel can weigh it?

MR. REYCRAFT: We have no objection, your Honor, to the names of the banks, their total assets, any statistics you want to put in. No [58] problem at all with that.

THE COURT: Are you prepared to do that?

MR. CLARK: Yes, sir.

The simple fact which I will offer is that—I have a newspaper article, if you wish—I will simply—

THE COURT: Why don't you show it to counsel.

MR. CLARK: Okay.

THE COURT: If that, you know, sets forth the basic facts, then maybe you can submit the article.

MR. REYCRAFT: Fine. No objection.

THE COURT: All right. There being no objection —what number are we at?

MR. CLARK: Your Honor, I forgot that last number. I should have thought of it.

THE COURT: We should have it here, Mr. Clark.

THE CLERK: Plaintiff's last one was 144, your Honor.

THE COURT: Right; that is what I have.

That is the opinions of the Comptroller and his report.

[59] THE CLERK: Yes, sir.

THE COURT: All right. This will be 145.

(Plaintiff's Exhibit 145 marked in evidence as of this date.)

MR. CLARK: Your Honor, I think that this action has significance well beyond these two defendants. It affects every commercial bank in the state. It will irrevocably affect the future structure of commercial banking in this state.

This consolidation is unlawful, if for no other reason, because of the effect it would have in maintaining and accelerating the trend for concentration through significant mergers.

There is one more market area which the plaintiff addressed itself to; that was the four-town area, the one part of the state where both banks operate offices and where both banks are giving alternatives for the customers therein. This is, of course, the four-town area, and this is a relevant section of the country, under Philadelphia. This is the area where—and I quote—"within the area of competitive overlap the effect of the merger on competition will be [60] direct and immediate. It is not legally inconsistent for plaintiff to allege geographic submarkets within broader geographic markets." This was the whole thing under the Supreme Court in the Pabst decision.

In this small area, relatively small—and in and of itself it is significant—First New Haven and Connecticut National are the first and second largest banks. Their market shares are 39 and 19 percent, total 58 percent, obviously, plainly, a violation.

If we consider the adjacent towns, because we know that there is some interaction between the towns in this area, the result does not change, because the defendants are leading banks in that area, in those towns, as well.

I will deal very briefly with the divestiture proposal of the defendants. Basically, it is in two parts: three contracts, contingent upon this consolidation, providing for the sale of assets only to two Hartford banks and to a new bank in Orange; and then they have offered to sell three other offices, although these are not reduced to contract.

[61] Plaintiff has contended throughout that it is inappropriate to consider such an offer at this point in the trial, first because we do not know precisely what the anticompetitive effects of the merger are—that is, there has been no decision as to whether or not there are any —and, secondly, I think the offer is extremely vague. We do not know, for example, how these offices are to be divested or when, and, as to the three which are not subject of contract, to whom.

But, even further, assuming that we do consider the offer, there are many reasons why it should be rejected out of hand.

First, there is a national policy against divestiture of bank assets, and this policy is embodied in the automatic injunction in the Bank Merger Act of 1966. The Bank Merger Act says that when the Government sues to prevent a bank merger, that merger is automatically stayed. Why? Because there are very, very great difficulties in separating banks once they have merged.

We noted the substantial procedural history behind this automatic injunction, the reasons why it is so difficult to separate banks; we noted that [62] in our brief. The Supreme Court noted it in its Houston decision on this subject.

I think it is pretty clear, whatever effect this divestiture would have, it would only affect this immediate four-town area; it would not have any beneficial effects in any other part of the state. It would not dampen in the least the trend toward concentration that I referred to; in fact, I think it may enhance it, because other large banks can see how they can eliminate and overlap in their service areas. I think they may well rethink mergers, which they might have once rejected as illegal.

Thirdly, it is clear from the record that nothing near 100 percent of the total deposits held in these offices would be transferred. Under a similar divestiture plan in Pennsylvania, 25 percent was transferred. Even assuming 50 percent of transfer for all six offices, the concentration in the four-town area still goes up; it goes up from 39 to 43 percent, a violation of law.

This merger cannot be saved by dealing off three to six offices out of a total of seventy-three. We are eliminating one of the largest banks [63] in the state, and nothing will replace it. We are losing a major competitive force and gaining nothing.

Finally, convenience and needs, your Honor:

Under the Bank Merger Act, if the bank merger is found to violate Section 7, it may nevertheless be legal in the anticompetitive area and quite clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

The defendants have not met that burden of showing a clear outweighing. My general reaction from the record is that we heard some general testimony from a few large corporations, some represented on the defendants' boards of directors, that they might use local banks for services that they now obtain elsewhere if these banks offer them and if they conform to the standards of the out-of-state banks which are now serving those customers; and these out-of-state banks include such giants as the New York banks, twenty billion in size.

I do not believe that the record shows a [64] single banking need presently unmet in any market that we are dealing with, and the senior investigator for the regional comptroller, when he investigated this merger, appeared to say the same thing, because he said—quote—"The Connecticut National Bank and other financial institutions directly concerned are assiduous in their efforts to meet the convenience and needs in the Bridgeport region. It would be difficult to say that the convenience and needs of most are not being adequately met"; and, as to New Haven, "Suffice it to say that

the convenience and needs of the New Haven area are being adequately met by the First New Haven National Bank and other financial institutions directly concerned."

The question, I believe, benefits to the convenience, not the needs, of a few large corporate customers, is not nearly sufficient to outweigh, clearly outweigh, the anti-competitive effects of this consolidation.

But defendants have a second burden of showing, assuming some substantial need, that it could not be satisfied by a less anticompetitive [65] means than this consolidation; and that was the holding of the Supreme Court in its Nashville decision.

Once again, they have not met that burden. If new services are required—and I do not think they are—the defendants should be required to show that they could not offer them through internal expansion, that they would be too expensive or that the consolidation would create economies of scale—in other words, permit them to offer these services—because there is no evidence of that. The defendants conducted no studies of demands or costs of other, new services. When they have seriously considered new services, the record shows they usually offered them where there was a sufficient demand.

There are alternative means of satisfying large corporate customers. One of them is correspondent banking, and Mr. Stassa, president of a small bank now but formerly with larger banks in this state, testified that he can satisfy his assess corporate customers through his correspondents.

Neither is there any evidence, your Honor, [66] that the merger, the consolidation, would create economies of scale; that is, that the consolidated bank could be able to do things cheaper than either bank could do by itself.

Dr. Murphy, an expert in this field, conducted studies independently of economies of scale in banking. He testified that in banks of this size the economies of scale are not significant.

Of course, there is one thing the merger would do: It would double the lending limit. The resulting bank

could lend up to twice as much to its largest corporate customers as either bank can now. The defendants testified that they would do it, and I believe them. These are the prime loans, the blue-chip corporations; they are the easiest to administer and perhaps the most profitable.

But the consolidation would not increase the total amount of lendable funds. One and one still equals two, your Honor. So, if defendants lend more to the big customer, that means they lend less to the little customer who is least able to go elsewhere for funds.

[67] The defendants say "If we can lend more to our big customers, they will keep more on deposits with us," and that is right. But these additional deposits would not equal the amount of loans which defendants would make.

The record shows that defendants' loans to its fifth largest loan customers exceed the deposits of these customers by two to one, and that takes into account the fact that all loan customers do not draw down their total balances all the time.

The Supreme Court in Philipsburg said that relevant question under convenience and needs is whether the proposed merger is likely to benefit all seekers of banking services in a community, rather than those interested in large loans and trust services.

The benefits of this consolidation to the large customer are questionable; the benefits to the small customers are nonexistent, so temporary. The most important factor to the small customer is the level of competition, which, as we have seen, will be significantly impaired.

The Board of Governors in the Federal [68] Reserve System and the Board of Directors of the Federal Deposit Insurance Corporation both recommended that this merger be denied unless—that is, not recommended; they did not recommend it, but their conclusion was that there was a substantially adverse effect on competition. They did not consider convenience and needs, and I assume that the Comptroller did. The Comptroller has not nearly met this burden if he is to show that the convenience and needs outweigh the anticompetitive effects of this merger.

That concludes my arguments of the merits, your Honor.

There is one more issue that I would like to bring up, and that includes the automatic injunction which is presently in effect preventing the banks from merging pending completion of the litigation.

I noted from the defendants' and intervenor's briefs that they requested that judgment be entered for them and that the automatic injunction be lifted. As we have noted elsewhere, the purpose of this stay is to [69] insure that the banks do not become one before it is apparent that they would have to be separated again.

In the Houston decision the Supreme Court specifically dealt with that issue, and their holding, very brief, was as follows:

"But absent a frivolous complaint by the United States, which we presume would be infrequent, a stay is essential until the judicial remedies have been exhausted."

The normal procedure, therefore, should be maintenance of the status quo until the antitrust litigation has run its course, lest the consummation take place and the unscrambling process that Congress abhorred in the case of Pabst be necessary.

Obviously, the purpose of the stay is frustrated if your Honor rules for defendants, lifts the stay, and there is appeal and so on. I would ask, then, in the event that your Honor does enter a decision for defendants, that you extend the stay for the 60-day period during which the Government may determine whether or not to appeal, or, in the alternative, if your Honor [70] is considering lifting the stay, that we be given adequate notice to take whatever measures we feel are necessary.

The stay has been extended in every case, your Honor, previous District Court case, except one, which was a Mississippi decision, which really precipitated all this; the stay was lifted before we knew anything about it and the banks merged. But I would hope that this would be the procedure in this case, your Honor.

Thank you.

MR. REYCRAFT: May it please the Court, I would like to begin by observing the obvious, which is that the Government has the burden of proof in this case to show that the effect of the proposed consolidation is to substantially lessen competition or to tend to create a monopoly; and, of course, it is our view that the Government has failed to sustain that burden of proof.

We have no objection, as we have stated, your Honor, to Mr. Clark supplementing the record to show the recent announcement by the Union Trust Company and the Connecticut Bank shares. We think the record should be up to date, and we [71] would like to supplement the record, ourselves, by placing in the record the year-end deposits held by all commercial banks in Connecticut and the share of those deposits held by Connecticut Bank & Trust Company, Hartford National Bank, Connecticut National Bank and First New Haven.

Those year-end figures show that Connecticut Bank & Trust Company increased its deposits in one year alone by 299 million dollars. They show that Hartford National in 1972 alone increased its deposits by 281 million dollars. Each of those banks increased its deposits during 1972 by more than the total of the deposits held by First New Haven Bank. First New Haven has been in business since 1792, so in one year these two Hartford banks have achieved an increase greater than all of what First New Haven has been able to do in nearly 200 years.

These year-end figures show also that Connecticut Bank & Trust Company's share of the total of commercial bank deposits held by Connecticut banks went from 19.1 percent to 20.9 percent; and they show that Hartford National shares went from 18.8 to 20.4 percent; they show [72] the Connecticut National went down from 6.5 percent to 6.2 percent, and that First New Haven went down from 4.7 percent to 4.1 percent.

This is objective evidence, which Mr. Clark has referred to from time to time, as to what is happening to commercial bank concentration in the State of Connecticut. It shows that whatever increase in concentration is occurring in the state is coming from simply two

sources, Connecticut Bank & Trust and Hartford National Bank, and it shows that the shares of the two banks involved in this case is declining.

The importance and the significance in increases of the two Hartford banks in the past year can also be seen by the fact that the combined increases of the two banks is about the same as the total deposits of Union Trust Company, 580 million dollars' increase in deposits of the two Hartford banks together, and Union Trust, the third largest bank in the state, has a total of 585 million of deposits.

So nationwide First New Haven at the end of 1972 ranked 290th among commercial banks in the country; in 1970 it was No. 224, down 66 [73] places in two years. Connecticut National Bank was 198th at year end 1972, and it was 177th in 1970. Not surprisingly, the two Hartford banks have increased their position, CBT up from 59th in 1971 to No. 50 in the country, and Hartford National up from 58th in 1971 to 52nd in 1972.

So we are not talking about hypotheticals when we try to look at the crystal ball and find out what is happening in the future; these are the kinds of projections that our witnesses were making during the trial. They said that this was the way the structure of banking was going in Connecticut, and certainly the objective facts have proven it out.

Mr. Clark has talked at some length about his argument that commercial banks should be forced to enter new markets by de novo activity, either branching or forming new charters, newly chartered banks, and forming holding companies; but also the fact is that in the past ten years there have been either nine or ten mergers by Hartford banks. None of them have been challenged by the Department of Justice except for the proposed merger of CBT and Connecticut [74] National.

Just within the past month the Federal Reserve Board approved an acquisition by CBT Corporation of Fairfield County National Bank in Norwalk. That approval is dated January 19th of 1973, and it is reported in the

Federal Register, Volume 38, No. 21, on Thursday, February 1, 1973.

Under the Bank Merger Act, the Department of Justice has thirty days within which to file a suit following the approval of a bank merger, and that thirty days has expired and it has not done so; therefore, that merger is exempt from the antitrust laws.

The Federal Reserve Board has a number of interesting things to say in that opinion about the Connecticut banking market. It said, among other things—quote—"The Stamford-Norwalk market is subject to significant competition from the much larger New York City banks due to their proximity to the market and the appreciable commuter flow from that area to New York City."

The Board also said that, in referring to the applicant's market share—that is, Connecticut Bank & Trust Company—"Applicant's [75] market share of commercial bank deposits of 18.2 percent, has not yet reached a level where in the Board's judgment the acquisition of an existing bank should be presumed substantially to lessen competition without regard to the degree of additional concentration or the significance of the acquisition to the local market.

We do not want to either support or argue with that statement by the Board, but, certainly, if 18.2 percent is not a level of concentration that concerns the Federal Reserve Board, Connecticut National's 6.2 percent in 1972 and First New Haven's 4.1 percent do not seem to be a subject of much concern, or at least they should not be.

We have made a proposal to the Government, as your Honor knows, which we have discussed at trial, to divest branches in those areas which the Government claim were a market, the four-town area. We do not think that is a market. Their banking expert, Dr. Murphy, testified that it was not a market. No witness called by the Government testified that it was a market. The [76] only—I won't call it evidence, even—the only piece of paper in the record which would even suggest that it is an exhibit which Mr. Clark apparently personally prepared.

But, notwithstanding that, we, in a good faith effort to try to meet what the Government claims is a problem, made that offer to divest those branches. We signed contracts to divest three, and we have committed to the Court and will accept a consent order to divest the other three.

We have also agreed to use our best efforts to enter the Hartford and the New London areas by whatever means are available to us.

Our proposal to the Government was responded to by Mr. Clark saying the proposal is rejected. He says in his brief and one of his footnotes—I believe it is footnote 78—that the purchasers are unacceptable to the Government. We would like to know if there are some purchasers they would like better, because we are willing to talk to them about that.

But the only response we have had is the words "Your proposal is unacceptable." Even [77] right before trial we offered again to try to work this out with them, and met with, of course, a response.

As far as the question of what are the appropriate banking markets here for analysis of this case, I really do not think the four-town area is entitled to any serious consideration, since there is no evidence at all by anybody that it should be.

The fact of the matter is that banking markets are complex, that there is no single banking market.

For example, for Hartford National and for CBT, the state is their market, and at least one of them has an office in New York City and presumably competes for banking business there, not commercial banking business but for trust business, which it is allowed to do. But it is equally clear that First New Haven competes primarily in its own service area and that Connecticut National competes primarily in its own service area.

The fact that two banks from out of the area come in and compete with them does not mean that [78] these two banks are in competition with the Hartford banks in Hartford, nor are they in competition in New London, nor does the fact that New York City banks come into the State of Connecticut and compete for bank-

ing business mean that these two banks, Connecticut National and First New Haven, are able to compete on anything like an equal basis in New York, although they do get a small amount of business from New York.

As Professor Peck testified, for some purposes, towns are the appropriate market. When we talk in terms of potential entry into branching, banks must look at it by a town-by-town basis, because that is the way the state law requires them to do it.

Again on the question of the trend of banking competition in the State of Connecticut, Dr. Murphy testified that even though there are now approximately sixty banks as compared to one hundred some years ago, banking competition has increased, because more banks have expanded by branching, and, as a matter of fact, the options, according to the evidence, increased in 107 [79] out of 169 towns since 1955.

Mr. Clark has also talked about what is the appropriate line of commerce in this case, and he has argued that the Supreme Court decisions leave this Court no choice but to find that commercial banking alone is the appropriate line of commerce. His banking expert, Dr. Murphy, did not appear to agree with that, at least when he wrote the article that is in evidence, saying that the time is probably appropriate to reexamine the Supreme Court's decision or conclusion in the Philadelphia National Bank case that commercial banking was the appropriate line of commerce in all commercial bank cases.

In Philadelphia, incidentally—in the State of Pennsylvania, that is—savings banks held only two billion dollars' worth of deposits out of 15.7 billion in the entire state in the year 1960, which was the year on which the record was based.

Mr. Clark has also referred to the Philipsburg case in New Jersey. There were no savings banks in that area.

[80] But the fact is that in Connecticut savings banks hold more deposits than commercial banks do. And the fact of the matter is that, as the evidence shows, approximately 79 percent of Connecticut National's banking

business is subject to competition from savings banks, and for First New Haven approximately 73 percent of its business is subject to competition from savings banks.

Within the past several weeks a bill has been introduced into the State Legislature, Bill No. 848. This is a bill which has been reportedly agreed upon between the Commercial Bankers Association and the Savings Bank Association, and a bill which would give savings banks checking account powers. That bill is going to be subject to a hearing on March 9th, we are told, and, since there is agreement between the two associations, no significant opposition to that legislation is expected.

Here again, during the trial, testimony was offered to suggest that in the future this power would be granted, and it now appears close to consummation.

[81] The evidence also indicates that there is competition for branches and for personnel between commercial banks and between savings banks.

There is nothing comparable to any of these facts in either the Philadelphia National Bank or the Philipsburg decisions; and, despite what Mr. Clark has said, there is no Supreme Court decision which requires this Court to conclude that it should look only at commercial banking in what is essentially a potential competition case.

The cases that he has referred to—the Philadelphia National Bank case involved two large commercial banks, the second and third largest banks in Philadelphia. Their head offices were directly across the street from each other. They competed throughout the four-county area within which they were committed under state law to have offices, Philadelphia, Bucks, Montgomery and Delaware Counties.

I believe the record shows, incidentally, your Honor, that that four-county area is not the Philadelphia standard metropolitan statistical area.

[82] Certainly in Philipsburg the Government resisted the arguments that the standard metropolitan statistical area was the appropriate geographic market. It said that Philipsburg and Easton was the correct market

and excluded Allentown and Bethlehem, Pennsylvania, which are part of the standard metropolitan statistical area.

So apparently there is nothing particularly immutable about standard metropolitan statistical areas being the only banking markets which are appropriate for courts to look at.

In Philipsburg as in Philadelphia, the two banks involved were in the same town; they were in direct competition with each other, totally unlike these two banks, where Dr. Murphy, the plaintiff's banking expert, testified that the two banks are not in significant actual, direct competition with each other with the exception of the four-town area; and, as your Honor knows from the testimony, savings banks in Connecticut are permitted to make personal loans up to 80 percent of their total deposits and they do actively compete for that business. [83] There is nothing comparable in either the Philadelphia National Bank case or the Philipsburg case, and no other Supreme Court decision, as a matter of fact, on that subject, on the subject of commercial bank mergers.

As I have indicated just—

THE COURT: What do you have to say about the interlocking directorates? I mean, if they are competitors, isn't that highly unusual?

MR. REYCRAFT: I think the probability, your Honor, is that Congress—

THE COURT: Excuse me—I should say there is no question there is some competition. I do not think anyone denies that, not even the commercial banks.

MR. REYCRAFT: Between the savings banks?

THE COURT: Between the savings banks and the commercial banks.

But the Government's claim—really, it is not that significant—is that the eight or nine directors of a commercial banks are on boards of savings banks.

Do their actions speak differently than their words in court?

[84] MR. REYCRAFT: I think that I would explain that situation in this way, your Honor:

First of all, it is not a violation of Section 8 of the Clayton Act, which is the provision applying to interlocking directorates, for a director of a commercial bank to be a trustee of a mutual savings bank.

There have been bills introduced in Congress which would extend that prohibition, and my own guess is that it will be extended, and I think the reason that it is not applicable at the present time is because competition between commercial banks and savings banks has been evolving; it has increased over the past several years, even as your Honor can see from the fact that savings banks in Connecticut are about to get checking account powers.

So I think this is largely an oversight on the part of Congress, and I think that it is highly probable that it will be changed in the near future.

Whether it is desirable or undesirable for a savings bank and a commercial bank to have interlocking directors and trustees is another [85] question, but it is not unlawful, and I think Congress will eventually prohibit it.

Also, your Honor, within the past few weeks there have been ads in the Journal Courrier and the New Haven Register by Rhode Island Trust Company, advertising their services in New Haven.

So competition is a very complex situation among banks in the State of Connecticut.

I won't dwell extensively on the Special Master's report, because I know your Honor is fully familiar with it; and no doubt it is true that the business which New York banks get from the State of Connecticut is weighted more heavily on the larger loans than it is on the smaller loans, but—

THE COURT: Let me ask you this:

Why do you think this merger is good for banking in Connecticut?

MR. REYCRAFT: I think, your Honor, that, as at least the year-end statistics on the progress of the Hartford banks in dominating the state banking market make it clear, unless something happens on the other side of that equation that trend is going to increase even [86] more in future years and these banks are going to be

relegated even more narrowly to the geographic areas in which they now do their business.

THE COURT: Mr. Clark is not really disputing you that that is a good thing, but he is just saying there are an awful lot of arrows to the bow, and if you halt one of their arrows in flight they are going to come right back with two or three arrows which have more potency and better for competition; namely, de novo branching, a holding company.

How do you answer that succinctly?

MR. REYCRAFT: As far as the holding company route is concerned, your Honor, very briefly, nobody has tried it yet. It is not very likely, in my judgment. Again, we are predicting that this will happen in the foreseeable future.

As far as entry into Hartford is concerned, the testimony in the record is really uncontradicted that both of these banks have testified that they do not think that they can do it as a matter of economics, that to try to go [87] up to Hartford and compete with those two deeply entrenched banks in Hartford is totally impractical and would not be the wisest way for them to invest their shareholders' money.

Mr. Krafchik testified that there are other, nonbanking activities which are now permitted to banks under the Bank Holding Company Act amendments which may be more attractive ways for them to invest their money than by undertaking a legally questionable de novo charter route into Hartford.

If the Government is right that this is something that is lawful for them to do, they have had that opportunity for a long time. First New Haven has been in business since 1792. I don't say it has been able to do it since then, but certainly ever since the Bank Holding Company Act was passed in 1956—that is, the Federal Bank Holding Company Act—if he is right that they could do it, they have had the opportunity since that time and they have not done it.

So that I think, in the absence of contradictory evidence, the fact is they have not done it, they have testified that they do not [88] think they can as a practical matter, and I believe what they had to say.

As far as de novo branching is concerned, there is no reason to think that the home office protection that now exists in Hartford is going to be removed. There has been no legislative pressure that has been brought to our attention which indicates that that home office protection is going to be removed.

So that I see no likelihood, based on the record, that entry into Hartford is going to take place.

THE COURT: What was your position at trial, if you can sum it up and don't have me cut you off? You can finish that answer on the alternative that I failed to mention, and that is acquisition of other banks, smaller mergers. Go ahead, finish your other answer.

MR. REYCRAFT: I just wanted to add one thing, your Honor, and that is that the year-end statistics which I quoted to your Honor, which indicate nearly 600 million dollars' increase in deposits by the two Hartford banks in 1972 alone certainly would tend to discourage even more any [89] banks trying to enter Hartford in direct competition with them.

I cannot recall your Honor's question.

THE COURT: Another alternative, I suppose, is the acquisition of smaller banks through merger, which apparently historically has been not contested by the Government?

MR. REYCRAFT: Yes.

There are a couple of small banks in Hartford. Whether they would or would not be willing to be acquired is something I cannot answer. They are small enough so that acquiring those banks would be a very minor toehold in Hartford, because my recollection is that the assets of one of those banks is in the neighborhood of 25 million dollars; so that to go to Hartford and to try to compete with a base of 25 million dollars against two banks, each with over $1,300,000,000, would be a difficult endeavor.

We think that the two banks, if they were permitted to merge, would be better able to do that, and have committed to use their best efforts to do it; and it may be that the only [90] practical way to do it would be through the acquisition of a small bank.

THE COURT: Now let me ask you this:

If you were looking into your crystal ball and if this merger were denied, subject to, of course, all the appellate routes, what do you think the banking picture will look like ten or fifteen years from now?

MR. REYCRAFT: I think, based on just, your Honor, the way it has moved in the past couple of years, the two Hartford banks will increase their market share of the state. I think in ten years they probably will have well over 50 percent of the banking assets in the state. They have over 80 percent of the banking assets in Hartford right now.

Connecticut Bank & Trust increased its deposits last year by 1.8 percent of the total deposits in the State of Connecticut, and Hartford National increased its deposits by 1.6 percent of the total deposits; so, if you multiply that by ten, you get 10.1.8 and 10.1.6.

I do not know whether it will increase at that rate, but, quite frankly, I would not have [91] believed, even during the trial, that the deposits of either of these two banks would have increased as much as they have in fact during 1972.

THE COURT: Are the figures for the, say, four or five years prior somewhere in the record?

MR. REYCRAFT: I believe they are up until 1971, your Honor, and these would supplement them up through the end of 1972.

THE COURT: Now let's turn the question around:

If the merger is approved, how does the banking situation look to you ten or fifteen years from now? Is Mr. Clark right? Are we going to have, say, the next two big banks in Connecticut try to merge and, based on precedent, probably get away with it and so forth? If so, is that bad?

MR. REYCRAFT: I think there are possibly two additional mergers, your Honor, which might well take place and which would be desirable under the circumstances which exist in this state. I think, for example, that the Union Trust proposal which Mr. Clark has referred to is [92] procompetitive.

He has mentioned the fact that Connecticut Bank Shares is maybe the tenth largest on his list of the ten

largest banking organizations in the state, but the fact of the matter is that the Hartford Bank, which is a part of that holding company, has only something in excess of a hundred million dollars of deposits, and that, of course, is less than 10 percent of what each of the Hartford banks have independently.

So I think that is a procompetitive merger, and I think we have to look at each one of them on their own merits.

The triggering argument that Mr. Clark has referred to is not really particularly applicable or certainly does not have the strength in the banking field that it might have in some other areas—and I emphasize there is no Supreme Court decision that mentions the word "triggering" that I know about.

But, anyway, we are arguing this on the assumption that maybe he is right.

First of all, any merger that is proposed has to go by one of the regulatory agencies, the [93] Fed, the Comptroller or the FDIC. Then the Justice Department has thirty days in which to file a complaint. And if the regulatory agencies approve it and if the courts approve it, then I cannot see that any of these are bad.

I think, your Honor, approving this merger does not necessarily mean that even the Union Trust merger is going to be approved or that another merger sometime down the road is going to be approved.

But there has been testimony in this record that shows —and Dr. Murphy agreed to it—that a decrease in the number of banks in Connecticut was accompanied by an increase in competition throughout the State of Connecticut among banks. That is their expert witness. We think he is right.

For example, you could have a hundred banks, each one of which was in one town and each one of which was the only bank in its town; that would be a noncompetitive situation even if you had a hundred banks. If you had ten banks or eight banks or six banks—even six banks—with offices throughout the state, that would be [94] a more competitive situation than that hundred-bank situation.

I am not suggesting we are going to get to that point, because I think it is probably desirable to have a mixed banking structure, to have banks which are capable of competing on a statewide basis. On the other hand, if I live in Branford or Hamden or Woodbridge, I might rather and probably would rather do business with those local banks.

So that there are different kinds of business and different kinds of banking services, and I do not think that, if you have two or even three more bank mergers in the State of Connecticut, that is going to impose an undue burden on the local banks who have their own constituency.

Apparently the Antitrust Division agrees with this, because when Connecticut Bank & Trust Company, with about $1,400,000,000 of deposits, bought Fairfield National Bank, which they just did, in Norwalk, the Antitrust Division did not file a complaint on that one, so they apparently think there are some pretty good mergers.

[95] They have seen nine or ten mergers go by by the two Hartford banks. When the two Hartford banks wanted to come into New Haven, they did not say, "Well, you are the two biggest banks in the state and you are the most likely entrants into New Haven, based upon the 'objective evidence.' "

If they had said that and if they had made the Hartford banks, if they could do so, form a holding company, apply for a newly chartered bank, in New Haven, then that would be a little more consistent with their argument. They would have an additional competitor in the City of New Haven, or two additional competitors, if those banks came in by the new charterers, as they are arguing about, rather than come in by acquiring two existing banks in New Haven.

So they seem to think that there are some good mergers, at least, or a good many that they do not attack.

Mr. Clark said there are thousands of bank mergers a year. There are not. There are probably less than two hundred among the country among 14,000 banks, and each one of these [96] mergers, as long as it in-

volves one federally insured bank, is subject to review by the regulatory agencies and is subject to attack by the Department of Justice. So we are not dealing with a situation where banks can run away with the situation.

He has referred to automatic injunction. There is no other industry, your Honor, that has an automatic injunction. That simply follows from the Department of Justice filing an antitrust complaint.

We agreed on this consolidation in November of 1970, so here it is in 1973; and I may say to your Honor that this imposes a very substantial burden on the banks, to try to keep a proposal, a consolidation, together for this period of time.

We do ask your Honor to lift this stay after your Honor has reviewed all the briefs and satisfied himself. Your Honor has that authority, despite what Mr. Clark says. The Government cannot simply rest on the fact that it has filed a complaint when it has failed to prove that the merger would have any substantial adverse [97] effect on competition; and any weighing of the equities in leaving the stay in effect or lifting it certainly has to take into account the record that was made in the case, and we think the Government has simply failed to sustain its burden or proof in this case.

I am not going to review all of the Supreme Court decisions on mergers and potential competition that the Government has referred to on oral argument. We have discussed them in our brief.

But I think it suffices to say that those cases involved companies like Proctor & Gamble, which is the biggest detergent producer in the United States; involved El Paso Natural Gas Company, which was the only interstate supplier of natural gas in the State of California; it involved Continental Can, which is the biggest supplier of cans in the entire United States.

We do not think that any of those are applicable to this particular case.

Mr. Clark has also referred to the positions of First New Haven and Connecticut National in their respective geographic areas. [98] The fact of the matter is, in the Bridgeport standard metropolitan statistical area,

which Mr. Clark thinks is a relevant geographic market, First New Haven was the fourth largest bank in that area. Connecticut Bank & Trust is there, Hartford National is there, and Union Trust is there. I am not even mentioning People's Savings Bank. But among commercial banks in his standard metropolitan statistical area, First New Haven is the fourth largest.

I will make that the fifth largest, because State National, as a subsidiary of S&H Green Stamps—the total assets of that combined operation exceed those of Connecticut National Bank.

In New Haven, First New Haven is the fourth largest, after Connecticut Bank & Trust, Hartford National and Union Trust.

So, even on any objective evidence, these banks are fourth largest and fifth largest in their respective SMSA's.

The evidence also discusses or refers to advertising which appears in papers circulating in New Haven by banks out of the area. Even [99] though New York City banks do not have offices in Connecticut, their impact is certainly felt on the New Haven consumer, the New Haven and Bridgeport consumer, by the fact that they read New York papers, they see television programs which emanate from New York, they hear the interest rates for loans which are advertised by New York banks.

So that it simply is unrealistic to suppose that Connecticut Bank can price their services without regard to what banks do in adjacent areas; and, even if the New York banks got no business out of the State of Connecticut, which we know is not the case, the simple common sense of consumers who go into those banks to do business would impose a check upon their exercising any undue market power they have over those consumers.

Just within the past several months, also, the Department of Justice has filed additional reports where it has said the effects of competition were significantly adverse. One was in the North Carolina National Bank, on December 13th of 1972, and that has not filed a [100] merger complaint. They did the same thing with

respect to Union National Bank in Youngstown, Ohio, in August of 1972.

So the Government's views on whether significantly adversely violates the antitrust laws also do not seem to be very automatic.

I will conclude my remarks at that point, your Honor. I think that our briefs have amply covered the arguments that have been made, and I will leave the question of the convenience and needs of the community to Mr. McEnerney, or any other questions.

THE COURT: Maybe co-counsel has—

MR. REYCRAFT: The Bill number appears to have a new number, 1646. The copy I have says 848.

THE COURT: 1646?

MR. REYCRAFT: Yes, your Honor.

THE COURT: What is the official title of that?

MR. REYCRAFT: "An Act concerning personal checking accounts in savings banks and building and saving or loan associations."

We would like to supplement the record, [101] your Honor, to include an exhibit which I would like to mark as 93, Defendants' 93, showing the year-end deposits of Connecticut commercial banks and the shares of four banks in the state; and as 94 Bill No. 1646, to which I have just referred.

THE COURT: They may come in, full exhibits.

(Defendants' Exhibits 93 and 94 marked in evidence as of this date)

MR. McENERNEY: Your Honor, at least twice in Mr. Clark's argument he mentioned a Von's case and the Provident case, and I do not know that he made it clear that both of these cases were actual competition cases.

Provident National Bank and Gerard Trust Company were both across the street from each other. Provident National Bank and Central-Penn Bank were on the same side of the street as each other. So it is actually competitive cases, and I do not think they are apposites here.

He mentioned also as objective evidence that Connecticut National Bank applied for a branch at West Haven in, I believe he said, 1967 or some such date.

But I think it is also [102] objective evidence that the Comptroller of the Currency turned that branch down, and I think that that should be made clear.

One other point:

Mr. Clark did read a quote; it is in his brief. He read a quote from Examiner Verano and cited it in his brief. But I set out the balance of that quotation in our brief on page 69, which I think gives a better picture on that.

As to the line of commerce, the Office of the Comptroller of the Currency has consistently been of the opinion that an evaluation of competition in an area must take into account the presence of financial institutions which compete directly with commercial banks. The Comptroller does this when passing upon merger applications and when reviewing applications for new branches as well as new national bank charters. In Connecticut and in New England generally the competition offered by savings banks must be scrutinized and is scrutinized by the Comptroller's office, because savings banks perhaps more than any other financial institutions present the most direct and immediate competition [103] to commercial banks.

When this Court contemplates its decision as to what the relevant line of commerce should be in this case, we believe that the Court should give some weight to the Comptroller's consistent practice of evaluating competition from financial institutions other than commercial banks, and, in particular, savings banks.

Mr. Reycraft has already discussed the recent developments in the Connecticut Legislature when he handed up this bill that apparently indicates a real threat of passage, which would give Connecticut savings banks the powers to offer checking accounts or their equivalent. I think it also allows building and loans or savings and loan associations the same powers.

Let me just add that on the national scene a task force in the Treasury Department is now preparing legislation to implement the recommendations of the President's Commission on Financial Structure and Reg-

ulation; that is the so-called Hunt Commission that your Honor will recall was mentioned during the trial.

Significantly, the chief executive officer [104] of American Bankers Association, which one would normally expect to oppose the granting of checking account powers to thrift institutions, has announced that the ABA will not lobby against this proposal providing that thrift institutions are given the same tax treatment as commercial banks.

The American Bankers Association's position on this legislation increases the prospect that important legislation giving increased powers to thrift institutions is likely to pass in this session of Congress.

The important thing, I think, to emphasize here is that the pattern is emerging both on the national level as well as in the State of Connecticut; that from this pattern we can draw the clear inference that the power to offer checking accounts will be extended to thrift institutions in the near future, and that the line of commerce in this case should be confined not just to commercial banks but should include savings banks as well.

As to the geographic market aspect of this case, the Comptroller has been concerned about [105] the influence of the giant New York banks in Connecticut for some time, and we have encouraged the creation of larger banks in Connecticut to prevent the state's wealth from being siphoned off into New York.

While the expansion of the two Hartford banks has created a temporary imbalance in the state's banking structure, the two Hartford banks at least have increased the power of the state's banking institutions to stand on their own two feet and to oppose the New York banks.

The Comptroller would like to continue this trend by creating a larger bank in the southwestern part of this state. The effect of this consolidation, it is our view, will be to create another Connecticut-based bank which will be able to take on the New York banks and at the same time provide some balance to the present internal banking structure in the State of Connecticut.

As one can understand from this argument, the Comptroller's policies in Connecticut have been and still are

heavily influenced by the competitive presence of the New York banks in [106] this state. For this Court to select a geographic market smaller than Connecticut and New York City would represent a denial of this long-standing and long-held view, that of the banking structure of Connecticut cannot be considered independently of New York City.

It is our hope that the Court will not override our extensive consideration of this subject over the years. Accordingly, we would ask the Court to confirm the Comptroller's belief that the competitive realities in this case require a market at least as large as the State of Connecticut and New York City.

As to the actual competition alleged by the plaintiff in this case, the Comptroller was, as your Honor is aware, of the opinion that the actual competition that would be eliminated would be substantial in this case coming from this four-town area and did not rise to the standard of substantiality required by Section 7 of the Clayton Act.

Also, the Court will recall Mr. Donovan's testimony that the number and size of the alternatives remaining in the four-town area [107] after the consolidation would refute any notion of the substantial elimination of actual competition, but, even assuming arguendo that there would be a substantial amount of actual competition eliminated by this proposal, we feel that the contracts to sell the branches, either the three or the six, just moots this whole thing—and this is even assuming that the four-town area is a relevant geographic market.

As to the potential competition aspects of Mr. Clark's case, it is our position that de novo branching by a defendant into each other's service area is not reasonably probable. This is so because the Comptroller as a matter of policy has not permitted significant de novo branching into major banking markets in Connecticut by banks not represented in that market.

Connecticut National cannot seriously consider much additional branching in the foreseeable future because our guidelines on capital expenditures won't permit this to be done; and in this connection I have a finding that

is [108] rather lengthy, but I will refer your Honor to it. It is No. 472.

Thirdly, a majority of open towns are adequately banked, and, of course, the leading towns in the State of Connecticut are closed.

As to another method that the plaintiff uses as an alternative under its potential competition, the establishment of a holding company and chartering of a new national bank in either New Haven or Bridgeport, we do have this press release, which your Honor is familiar with, and, except in the very recent case of Stamford, we have not allowed any new charters in the major areas—and, of course, New Haven is certainly a major area, and so is Bridgeport.

In addition, I believe that my recollection of the testimony is that Mr. Hagen, the state supervisor, had an opinion as to this problem of creating a holding company and chartering a new bank in a closed town.

Another point that Mr. Clark made was the toehold acquisitions. Of course, there are none in the City of New Haven, because the Second National Bank—I guess it is now Second [109] New Haven Bank—is considered by the plaintiff to be capable of also becoming statewide; and I think that your Honor recalls ample testimony that the banks in the suburbs might be fine to get the suburban business, but if you want to be on Chapel Street you have to be on Chapel Street, and there does not seem to be an alternative to that. They just do not give you the representation in the City of New Haven.

In Bridgeport there are apparently, at least according to the plaintiff, two banks, Lafayette and James Staples Company, but the James Staples Company is a private bank. I think Mr. Clark claims it has .4 percent of the SMSA deposits. I just could not believe that anybody would seriously consider it a significant entry into Bridgeport. As to the Lafayette Bank—I do not think there was any testimony at all that either of these banks was for sale.

I think that Mr. Clark has to do more than just throw out some names. I think he has to come up with some reasonable likelihood that these are for sale.

As to convenience and needs, we think it [110] is important to emphasize that if the needs of the two communities are not met through the creation of a larger bank, the banking business which had been going to New York City will remain there and the banking business that is on the verge of leaving New Haven and Bridgeport will definitely leave and in all likelihood will end up in New York City.

It is our view that the entire banking public will benefit from the creation of this banking institution as a result of this consolidation, which will be capable of throwing its weight against the Hartford banks in other parts of the state.

The increased competition that will result from the presence of several new entrants, including the two large Hartford banks—I am talking now about the four-town area—is not open to question, and, as Mr. Donovan testified, the consolidation will make available a broader range of banking services to the entire banking public, including the housewife, the small businessman, the small business proprietor, as well as the corporate customer. His testimony [111] in that connection is upon page 1822 of the transcript.

This, we submit, is what Mr. Justice Brennan was talking about when in the Philipsburg case, he spoke of convenience and need and said the Court shall deal specifically with whether the proposed merger is likely to benefit all seekers of banking services in the community rather than simply those interested in large loans and trust services. That is from page 372 of the Philipsburg case.

This is what we think he had in mind. We think he is talking about the housewife, and we think this merger can help her. We think there are services here that will filter down. The computer services help every bank customer. The fact that my statement at the end of the month is now computerized has helped me. I may not like it, but it has helped me. I think that many of these services have filtered down to the very common individual like myself.

Instances where we believe that the consolidation will benefit not just individuals but small businesses as well may be found in our [112] proposed findings, Nos. 657, 676, 682, 692, 693, 698-A, 699, 700-A, 708, 609, 710 through 713, 717, 721, 726, '29 and '37, among others, and I won't take the time to go into that.

Finally, the consolidation will result, we believe, in a better-balanced banking structure in Connecticut, which we think will benefit all seekers of banking services, which is the remark coming from Philipsburg, in that Connecticut will have another bank large enough to seriously contend with the New York banks; and that the present imbalance in favor of the two Hartford banks within the state will be somewhat modified; and, three, the consolidated bank will be better able to go statewide, which is, we think, clearly procompetitive.

Finally, Mr. Justice White, in speaking of convenience and needs in the Nashville case, said at pages 188 and 189 as follows:

"Just as surely, securing better banking service for the community is a proper element for consideration in weighing convenience and needs against the loss of competition. Thus, if the gains in better service outweigh the [113] anticompetitive deterrent and the merger was essential to secure this net gain to the public, the merger should be allowed."

That is a quote.

We submit that the defendants and intervenor have amply demonstrated that this consolidation will secure better banking service for the community, and believe that the merger should be approved.

THE COURT: Thank you, Gentlemen.

The Court should add that, although, due to my heavy schedule, I have not had a chance to thoroughly go through the briefs, I looked through them quickly as they were coming in, and they again demonstrate, as was obvious to me during the trial, that counsel have been extremely conscientious in the presentation of the respective claims of their clients; and I am deeply appreciative. I find that the briefs, even upon my cursory

examination, are concise, exactly what I wanted; and I appreciate your efforts.

One last thing I might say:

We will have the benefit, if it is okay [114] with counsel, of your oral arguments also. To a large extent they are covered in the briefs, but there is some new material that I am not sure I got all down, particularly with respect to some figures and some stipulations and other things; and I was wondering if counsel would share the cost of the transcript of the oral arguments.

All right. Thank you very much.

(Time noted: 4:50 o'clock p.m.)

oOo

Criteria Followed in Establishing Standard Metropolitan Statistical Areas

The definition of an individual standard metropolitan statistical area involves two considerations; first, a city or cities of specified population to constitute the central city and to identify the county in which it is located as the central county; and, second, economic and social relationships with contiguous counties [1] which are metropolitan in character, so that the periphery of the specific metropolitan area may be determined. Standard metropolitan statistical areas may cross State lines, if this is necessary in order to include qualified contiguous counties.

Population Criteria

1. Each standard metropolitan statistical area must include at least:

   (a) One city with 50,000 or more inhabitants, or
   (b) Two cities having contiguous boundaries and constituting, for general economic and social purposes, a single community with a combined population of at least 50,000, the smaller of which must have a population of at least 15,000.

2. If two or more adjacent counties each have a city of 50,000 inhabitants or more (or twin cities under 1(b) and the cities are within 20 miles of each other (city limits to city limits), they will be included in the same area unless there is definite evidence that the two cities are not economically and socially integrated.

Criteria of Metropolitan Character

The criteria of metropolitan character relate primarily to the attributes of the county as a place of work or as a home for a concentration of nonagricultural workers. Specifically, these criteria are:

3. At least 75% of the labor force of the county must be in the nonagricultural labor force. [2]

1/ A "contiguous" county either adjoins the county or counties containing the largest city in the area, or adjoins an intermediate county integrated with the central county. There is no limit to the number of tiers of outlying metropolitan counties so long as all other criteria are met.

2/ Nonagricultural labor force is defined as those employed in nonagricultural occupations, those experienced unemployed whose last occupation was a nonagricultural occupation, members of the Armed Forces, and new workers.

4. In addition to criterion 3, the county must meet at least one of the following conditions:

(a) It must have 50% or more of its population living in contiguous minor civil divisions [3] with a density of at least 150 persons per square mile, in an unbroken chain of minor civil divisions with such density radiating from a central city [4] in the area.

(b) The number of nonagricultural workers employed in the county must equal at least 10% of the number of nonagricultural workers employed in the county containing the largest city in the area, or be the place of employment of 10,000 nonagricultural workers.

(c) The nonagricultural labor force living in the county must equal at least 10% of the number of the nonagricultural labor force living in the county containing the largest city in the area, or be the place of residence of a nonagricultural labor force of 10,000.

5. In New England, the city and town are administratively more important than the county, and data are compiled locally for such minor civil divisions. Here, towns and cities are the units used in defining standard metropolitan statistical areas. In New England, because smaller units are used, and more restricted areas result, a population density criterion of at least 100 persons per square mile is used as the measure of metropolitan character.

Criteria of Integration

The criteria of integration relate primarily to the extent of economic and social communication between the outlying counties and central county.

6. A county is regarded as integrated with the county or counties containing the central cities of the area if either of the following criteria is met:

(a) If 15% of the workers living in the county work in the county or counties containing central cities of the area, or

(b) If 25% of those working in the county live in the county or counties containing central cities of the area.

3/ A contiguous minor civil division either adjoins a central city in a standard metropolitan statistical area or adjoins an intermediate minor civil division of qualifying population density. There is no limit to the number of tiers of contiguous minor civil divisions so long as the minimum density requirement is met in each tier.

4/ Central cities are those appearing in the standard metropolitan statistical area title.

Area Titles

7. The following general guidelines are used for determining titles for standard metropolitan statistical areas:

(a) The name of the standard metropolitan statistical area is that of the largest city.

(b) The addition of up to two city names may be made in the area title, on the basis and in the order of the following criteria:

(1) The additional city or cities have at least 250,000 inhabitants.

(2) The additional city or cities have a population of one-third or more of that of the largest city and a minimum population of 25,000, except that both city names are used in those instances where cities qualify under criterion 1(b).

(c) In addition to city names, the area titles will contain the name of the State or States included in the area.

Source: Bureau of the Budget, Pamphlet entitled "Standard Metropolitan Statistical Areas," 1967.

GX-2

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SEP 27 1972

Mr. Thomas E. Kauper
Assistant Attorney General
Antitrust Division
U. S. Department of Justice
Washington, D. C. 20530

Dear Mr. Kauper:

This is in reply to your letter of September 6, 1972 (TEK:CLW 60-111-2111) concerning an antitrust case (Civil Action No. 14583) which involves the amount of commuting between various Connecticut SMSA's and the New York SMSA.

Attached is the information which you requested for the Bridgeport, Danbury, New Haven, Norwalk, and Stamford SMSA's in Connecticut, and for each county of the New York, New York SMSA. The first line for each area gives you the total number of workers residing in that area followed by a breakdown for those working inside the SMSA, outside the SMSA, and those not reporting place of work. "Outside SMSA" is divided into two parts: (1) those working in the areas listed on the 20-category place-of-work listing; and (2) a total for those areas not listed on the 20-place listing.

The data for New York City or the New York, New York SMSA may be obtained by adding the appropriate lines on the county sheets. However, care should be exercised for the last eight lines since the entries are somewhat different from county to county. The major figures for the New York SMSA are as follows:

Total workers, 14 years old and over	4,496,534
Inside SMSA	3,875,529
Outside SMSA (total)	188,238
Listed on 20 places	107,618
Not listed on 20 places	80,620
Not reported	432,767

The fact that the last few lines differ from county to county in the New York SMSA explains in part the method used in selecting areas to include in the 20 lines. In constructing the place of work lists for each SMSA the goal was to account for the maximum number of workers living in the specified area within the limits of 20 lines or areas of work. The first few lines list the component parts of the SMSA and in a multi-county SMSA these lines are in the same order for each component. Places which are outside the SMSA were included until the categories (20 lines) were exhausted. We did this generally by taking into consideration the proximity of each area to the SMSA or county. Of course, other close SMSA's to the SMSA of residence were included whenever possible.

In the case of the New Haven SMSA, the first five areas were the component parts of the SMSA. The remainder of the lines included contiguous SMSA's and towns, and nearby SMSA's and areas. The 1970 data for those living in the New Haven SMSA and working in the New York SMSA will be available next year in the special Volume II report on Journey to Work. In the 1960 volume there were a total of 349 persons who commuted to the New York SMSA from New Haven.

In addition to the tables for the Connecticut SMSA's and the New York SMSA counties, I am enclosing the composition of the Connecticut SMSA's which may assist you in interpreting "inner ring", "outer ring", "remainder of SMSA", etc. mentioned on the Connecticut tables. Enclosed also, as you requested, are the 1970 tract reports for the Bridgeport and New Haven SMSA's.

Sincerely,

Robert P. Hagan

GEORGE H. BROWN
Director
Bureau of the Census

Enclosures

CONNECTICUT

SMSA	Places of Work	Composition
Bridgeport	Fairfield Co. - Inner Ring	Bridgeport city; Fairfield, Stratford, and Trumbull towns
"	Fairfield Co. - Outer Ring	Shelton city; Easton and Monroe towns
"	New Haven Co. - Outer Ring	Milford city
Bristol	Hartford Co.	Bristol city
"	Litchfield Co.	Plymouth town
Danbury	Fairfield Co.	Danbury city; Bethel, Brookfield, and New Fairfield towns
Hartford	Hartford Co. - Inner Ring	Hartford city; West Hartford, Bloomfield, East Hartford, Newington, South Windsor, Wethersfield, and Windsor towns
"	Hartford Co. - Outer Ring	Avon, Canton, East Granby, East Windsor, Enfield, Farmington, Glastonbury, Granby, Manchester, Rocky Hill, Simsbury, Suffield, and Windsor Locks towns
"	Middlesex Co. - Outer Ring	Cromwell town
"	Tolland Co. - Outer Ring	Andover, Bolton, Coventry, Ellington, and Vernon towns
"	Northern Portion	Bloomfield, Canton, East Granby, East Windsor, Enfield, Granby, Simsbury, South Windsor, Suffield, Windsor, and Windsor Locks towns in Hartford County. Ellington and Vernon towns in Tolland County
"	Southern Portion	Hartford city; Avon, East Hartford, Farmington, Glastonbury, Manchester, Newington, Rocky Hill, West Hartford, and Wethersfield towns in Hartford County. Cromwell town in Middlesex County. Andover, Bolton, and Coventry towns in Tolland County
Meriden	New Haven Co.	Meriden city
New Britain	Hartford Co.	New Britain city; Berlin, Plainville, and Southington towns

CONNECTICUT (Cont'd)

SMSA	Places of Work	Composition
New Haven	New Haven Co. - Inner Ring	New Haven and West Haven cities; East Haven, Hamden, North Haven, Orange, and Woodbridge towns
"	New Haven Co. - Outer Ring	Bethany, Branford, Guilford, and North Branford towns
New London-Groton-Norwich	New London Co. - Inner Ring	New London and Norwich cities; Groton, Lisbon, Montville, Preston, Sprague, and Waterford towns
"	New London Co. - Outer Ring	East Lyme, Griswold, Ledyard, Old Lyme, and Stonington towns
Norwalk	Fairfield Co.	Norwalk city; Westport and Wilton towns
Stamford	Fairfield Co.	Stamford city; Darien, Greenwich, and New Canaan towns
Waterbury	New Haven Co. - Inner Ring	Waterbury city; Naugatuck borough, Cheshire, Middlebury, Prospect, and Wolcott towns
"	Litchfield Co. - Inner Ring	Thomaston and Watertown towns
"	Litchfield Co. - Outer Ring	Woodbury town
"	New Haven Co. - Outer Ring	Beacon Falls town

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Bridgeport SMSA

Place of work	Number
Total workers, 14 years old and over	160,324
Inside SMSA	121,178
Bridgeport city - CBD	11,859
Remainder Bridgeport city	54,571
Fairfield, Stratford and Trumbull towns	36,792
Fairfield County-outer ring-(Bridgeport SMSA)	5,423
Milford city, New Haven County	12,533
Outside SMSA (total)	25,418
Listed on 20 places	20,157
New Haven city, New Haven County	2,896
West Haven city	862
Orange and Woodbridge towns	878
Remainder New Haven SMSA-inner ring	898
Remainder New Haven SMSA-outer ring	235
Oxford and Seymour towns, New Haven County	194
Derby and Ansonia cities, New Haven County	1,445
Danbury city	457
Norwalk city	3,991
Westport and Wilton towns	2,713
Redding, Ridgefield and Weston towns	234
Stamford city	2,308
Darien, Greenwich and New Canaan towns	1,289
Remainder Fairfield County	228
New York City, New York	1,529
Not listed on 20 places	5,261
Not reported	13,728

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Danbury SMSA

Place of work	Number
Total workers, 14 years old and over	30,858
Inside SMSA	19,987
Danbury city	16,445
Bethel town	1,945
New Fairfield town	448
Brookfield town	1,149
Outside SMSA (total)	8,050
Listed on 20 places	5,970
Sherman town	22
Weston, Redding and Ridgefield towns	903
Newtown town	719
Bridgeport city	268
Remainder Bridgeport SMSA-inner ring	211
Remainder Bridgeport SMSA-outer ring	29
Stamford city	449
Remainder of Stamford SMSA	231
Norwalk city	434
Remainder of Norwalk SMSA	444
Waterbury city, New Haven County	56
Remainder of Waterbury SMSA	63
Putnam County, New York	235
New York City (5 boroughs), New York	697
Westchester County, New York	798
Litchfield County and Plymouth town (nonmetro)	411
Not listed on 20 places	2,080
Not reported	2,821

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New Haven SMSA

Place of work	Number
Total workers, 14 years old and over	145,401
Inside SMSA	112,599
New Haven city - CBD	9,899
Remainder New Haven city	55,855
West Haven city	10,035
Remainder New Haven SMSA - inner ring	29,001
Remainder New Haven SMSA - outer ring	7,849
Outside SMSA (total)	17,211
Listed on 20 places	13,415
Bridgeport city, Fairfield County	1,481
Remainder Bridgeport SMSA-inner ring	2,193
Remainder Bridgeport SMSA - Fairfield County - outer ring	303
Milford city	2,934
Meriden city	956
Derby and Ansonia cities, and Seymour, Oxford, and Southbury towns	898
Wallingford and Madison towns	1,369
Waterbury city	652
Remainder of Waterbury SMSA - New Haven County	695
Remainder of Waterbury SMSA - Litchfield County	319
New Britain city, Hartford County	366
Remainder New Britain SMSA	264
Middlesex County (nonmetro)	556
Hartford city, Hartford County	159
Remainder Hartford SMSA	270
Not listed on 20 places	3,796
Not reported	15,591

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Norwalk SMSA

Place of work	Number
Total workers, 14 years old and over	50,779
Inside SMSA	28,887
Norwalk city	20,652
Westport town	5,812
Wilton town	2,423
Outside SMSA (total)	17,875
Listed on 20 places	15,497
Stamford city	3,847
Darien town	1,300
New Canaan town	798
Greenwich town	925
Bridgeport city	822
Fairfield town	477
Stratford and Trumbull towns	305
Remainder of Bridgeport SMSA	160
Redding, Ridgefield, and Weston towns	419
Danbury city	217
Remainder Fairfield County	84
Westchester and Rockland Counties, New York	1,008
Bronx County, New York	81
New York County, New York	3,257
Kings County, New York	122
Remainder of New York City, New York	1,625
Remainder of New York, New York SMSA	90
Not listed on 20 places	2,378
Not reported	4,017

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Stamford SMSA

Place of work	Number
Total workers, 14 years old and over	85,881
Inside SMSA	55,107
Stamford city	33,842
Darien town	3,360
Greenwich town	15,158
New Canaan town	2,747
Outside SMSA (total)	23,921
Listed on 20 places	21,388
Norwalk city	2,247
Wilton town	303
Westport town	347
Yonkers, Mount Vernon, New Rochelle, and White Plains cities, New York	1,475
Remainder of Westchester County, New York	2,655
Bronx County, New York	253
New York County, New York	10,332
Kings County, New York	368
Remainder of New York City, New York	1,219
Rockland County, New York	66
Nassau and Suffolk Counties, New York	181
Danbury city, and towns of Weston, Redding and Ridgefield	186
Bridgeport city	602
Fairfield town	346
Remainder of Bridgeport SMSA	744
Bethel, New Fairfield, Sherman, Brookfield, and Newtown towns	64
Not listed on 20 places	2,533
Not reported	6,853

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Bronx County (New York City)

Place of work	Number
Total workers, 14 years old and over	512,269
Inside SMSA	431,260
New York County - CBD	102,024
Remainder New York County	115,007
Kings County - CBD	3,517
Remainder Kings County	8,420
Queens County	14,575
Bronx County	156,989
Richmond County	339
New York City (County not specified)	8,657
Nassau County	2,380
Westchester County	17,867
Suffolk County	906
Rockland County	579
Outside SMSA (total)	19,158
Listed on 20 places	12,629
Bergen County, New Jersey	3,905
Passaic County, New Jersey	1,253
Jersey City, New Jersey	675
Remainder Hudson County, New Jersey	1,050
Essex County, New Jersey	2,031
Remainder Newark, New Jersey SMSA	935
Stamford, Connecticut SMSA	2,457
Middlesex County, New Jersey	323
Not listed on 20 places	6,529
Not reported	61,851

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Kings County (New York City)

Place of work	Number
Total workers, 14 years old and over	938,653
Inside SMSA	804,163
New York County - CBD	147,742
Remainder New York County	175,543
Kings County - CBD	35,500
Remainder Kings County	362,231
Queens County	43,316
Bronx County	7,928
Richmond County	2,772
New York City (County not specified)	14,563
Nassau County	9,599
Westchester County	2,402
Suffolk County	2,243
Rockland County	324
Outside SMSA (total)	30,204
Listed on 20 places	15,616
Bergen County, New Jersey	3,495
Passaic County, New Jersey	1,729
Newark city, New Jersey	1,347
Remainder Essex County, New Jersey	2,224
Remainder Newark, New Jersey SMSA	1,972
Jersey City, New Jersey	1,645
Remainder Hudson County, New Jersey	2,405
Middlesex County, New Jersey	799
Not listed on 20 places	14,588
Not reported	104,286

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Nassau County

Place of work	Number
Total workers, 14 years old and over	558,931
Inside SMSA	494,223
New York County - CBD	51,457
Remainder New York County	40,441
Kings County - CBD	3,692
Remainder Kings County	22,615
Queens County	47,337
Bronx County	5,223
Richmond County	325
New York City (County not specified)	2,592
Nassau County	295,339
Westchester County	3,044
Suffolk County	22,076
Rockland County	82
Outside SMSA (total)	27,561
Listed on 20 places	13,338
Bergen County, New Jersey	1,974
Passaic County, New Jersey	1,556
Jersey City, New Jersey	270
Remainder Hudson County, New Jersey	708
Newark city, New Jersey	207
Remainder Essex County, New Jersey	2,450
Remainder Newark, New Jersey SMSA	1,194
Stamford, Connecticut SMSA	4,979
Not listed on 20 places	14,223
Not reported	37,147

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New York County (New York City)

Place of work	Number
Total workers, 14 years old and over	686,176
Inside SMSA	567,508
New York County - CBD	214,642
Remainder New York County	278,485
Kings County - CBD	3,225
Remainder Kings County	14,562
Queens County	15,944
Bronx County	19,689
Richmond County	550
New York City (County not specified)	10,526
Nassau County	3,330
Westchester County	4,901
Suffolk County	1,049
Rockland County	605
Outside SMSA (total)	29,248
Listed on 20 places	19,262
Jersey City, New Jersey	1,042
Remainder Hudson County, New Jersey	1,618
Bergen County, New Jersey	5,108
Passaic County, New Jersey	1,805
Newark city, New Jersey	981
Remainder Newark, New Jersey SMSA	3,515
Stamford, Connecticut SMSA	3,227
Norwalk, Connecticut SMSA	1,966
Not listed on 20 places	9,986
Not reported	89,420

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Queens County (New York City)

Place of work	Number
Total workers, 14 years old and over	859,043
Inside SMSA	755,750
New York County - CBD	178,241
Remainder of New York County	151,985
Kings County - CBD	10,420
Remainder of Kings County	59,399
Queens County	278,219
Bronx County	16,096
Richmond County	1,037
New York City (County not specified)	8,120
Nassau County	40,349
Westchester County	5,586
Suffolk County	5,983
Rockland County	315
Outside SMSA (total)	30,290
Listed on 20 places	17,599
Jersey City, New Jersey	766
Remainder of Hudson County, New Jersey	1,575
Bergen County, New Jersey	3,364
Passaic County, New Jersey	1,789
Newark city, New Jersey	701
Remainder of Newark, New Jersey SMSA	4,257
Stamford, Connecticut SMSA	4,464
Middlesex County, New Jersey	683
Not listed on 20 places	12,691
Not reported	73,003

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Richmond County (New York City)

Place of work	Number
Total workers, 14 years old and over	110,029
Inside SMSA	90,015
New York County - CBD	8,200
Remainder of New York County	25,037
Kings County - CBD	1,320
Remainder of Kings County	7,023
Queens County	1,310
Bronx County	459
Richmond County	44,616
New York City (County not specified)	1,381
Nassau County	253
Westchester County	189
Suffolk County	195
Rockland County	32
Outside SMSA (total)	10,790
Listed on 20 places	5,624
Jersey City, New Jersey	392
Remainder of Hudson County, New Jersey	921
Newark city, New Jersey	461
Remainder of Essex County, New Jersey	834
Remainder of Newark, New Jersey SMSA	1,204
Middlesex County, New Jersey	751
Bergen County, New Jersey	616
Passaic County, New Jersey	445
Not listed on 20 places	5,166
Not reported	9,224

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Rockland County

Place of work	Number
Total workers, 14 years old and over	82,615
Inside SMSA	69,217
New York County - CBD	5,556
Remainder of New York County	5,817
Kings County - CBD	152
Remainder of Kings County	573
Queens County	792
Bronx County	3,200
Richmond County	48
New York City (County not specified)	318
Nassau County	261
Westchester County	5,445
Suffolk County	97
Rockland County	46,958
Outside SMSA (Total)	9,198
Listed on 20 places	6,643
Bergen County, New Jersey	4,284
Paterson city, New Jersey	144
Remainder of Passaic County, New Jersey	402
Orange County	562
Jersey City, New Jersey	57
Remainder of Hudson County, New Jersey	175
Newark, New Jersey SMSA	970
Putnam County	49
Not listed on 20 places	2,555
Not reported	4,200

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Suffolk County

Place of work	Number
Total workers, 14 years old and over	382,507
Inside SMSA	348,856
New York County - CBD	13,397
Remainder of New York County	13,698
Kings County - CBD	1,282
Remainder of Kings County	7,424
Queens County	18,677
Bronx County	2,014
Richmond County	100
New York City (County not specified)	908
Nassau County	59,989
Westchester County	1,944
Suffolk County	229,368
Rockland County	55
Outside SMSA (total)	12,117
Listed on 20 places	3,425
Jersey City, New Jersey	37
Remainder of Hudson County, New Jersey	243
Newark city, New Jersey	116
Remainder of Essex County, New Jersey	1,041
Remainder of Newark, New Jersey SMSA	509
Bergen County, New Jersey	719
Passaic County, New Jersey	514
Middlesex County, New Jersey	246
Not listed on 20 places	8,692
Not reported	21,534

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Westchester County

Place of work	Number
Total workers, 14 years old and over	366,311
Inside SMSA	314,537
New York County - CBD	36,734
Remainder New York County	26,382
Kings County - CBD	627
Remainder Kings County	2,034
Queens County	3,405
Bronx County	16,516
Richmond County	98
New York City (County not specified)	2,281
Nassau County	1,744
Westchester County	222,644
Suffolk County	683
Rockland County	1,389
Outside SMSA (total)	19,672
Listed on 20 places	13,482
Stamford, Connecticut SMSA	6,329
Paterson-Clifton-Passaic, New Jersey SMSA	2,321
Norwalk, Connecticut SMSA	1,472
Putnam County	814
Newark, New Jersey SMSA	1,387
Dutchess County	460
Jersey City, New Jersey SMSA	525
Orange County	175
Not listed on 20 places	6,190
Not reported	32,102

POPULATION: BRIDGEPORT STANDARD METROPOLITAN STATISTICAL AREA ("SMSA"), 1950, 1960 AND 1970

	1950		1960		1970	
	Population	Percent of the SMSA	Population	Percent of the SMSA	Population	Percent of the SMSA
Bridgeport SMSA	275,888	100.0%	337,983	100.0%	389,153	100.0%
Bridgeport city	158,709	57.5	156,748	46.4	156,542	40.2
Outside Bridgeport city	117,179	42.5	181,235	53.6	232,611	59.8
The SMSA is defined as follows:						
Fairfield County (part)	249,018	90.3%	296,321	87.7%	338,295	86.9%
Bridgeport city	158,709	57.5	156,748	46.4	156,542	40.2
Easton town	2,165	0.8	3,407	1.0	4,885	1.2
Fairfield town	30,489	11.1	46,183	13.8	56,487	14.5
Monroe town	2,892	1.1	6,402	1.9	12,047	3.1
Shelton city	12,694	4.6	18,190	5.3	27,165	7.0
Stratford town	33,428	12.1	45,012	13.3	49,775	12.8
Trumbull town	8,641	3.1	20,379	6.0	31,394	8.1
New Haven County (part)	26,870	9.7%	41,662	12.3%	50,858	13.1%
Milford city	26,870	9.7	41,662	12.3	50,858	13.1

SOURCES: 1950: Connecticut Development Commission. Connecticut Market Data, 1971. Hartford, Connecticut, 1971, pp. 23 and 26. 1960, 1970: U.S. Bureau of the Census. U.S. Census of Population: 1970-Number of Inhabitants (Final Report PC(1)-A8 Connecticut.) U.S. Government Printing Office, Washington, D. C., April 1971, p. 8-19.

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POPULATION: NEW HAVEN STANDARD METROPOLITAN STATISTICAL AREA ("SMSA"), 1950, 1960 AND 1970

	1950		1960		1970	
	Population	Percent of the SMSA	Population	Percent of the SMSA	Population	Percent of the SMSA
New Haven SMSA	273,049	100.0%	320,836	100.0%	355,538	100.0%
New Haven city	164,443	60.2	152,048	47.4	137,707	38.7
Outside New Haven city	108,606	39.8	168,788	52.6	217,831	61.3
The SMSA is defined as follows:						
New Haven county (part)	273,049	100.0%	320,836	100.0%	355,538	100.0%
Bethany town	1,318	0.5	2,384	0.7	3,857	1.1
Branford town	10,944	4.0	16,610	5.2	20,444	5.7
East Haven town	12,212	4.5	21,388	6.7	25,120	7.1
Guilford town	5,092	1.9	7,913	2.5	12,033	3.4
Hamden town	29,715	10.9	41,056	12.8	49,357	13.9
New Haven city	164,443	60.2	152,048	47.4	137,707	38.7
North Branford town	2,017	0.7	6,771	2.1	10,778	3.0
North Haven town	9,444	3.5	15,935	4.9	22,194	6.2
Orange town	3,032	1.1	8,547	2.7	13,524	3.8
West Haven city	32,010	11.7	43,002	13.4	52,851	14.9
Woodbridge town	2,822	1.0	5,182	1.6	7,673	2.2

SOURCES: 1950: Connecticut Development Commission. Connecticut Market Data, 1971, Hartford, Connecticut, 1971, p. 26.
1960, 1970: U.S. Bureau of the Census. U.S. Census of Population: 1970-Number of Inhabitants (Final Report PC(1)-A8 Connecticut.) U.S. Government Printing Office, Washington, D.C., April 1971, p. 8-19.

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POPULATION CHANGES: BRIDGEPORT AND NEW HAVEN STANDARD METROPOLITAN STATISTICAL AREAS ("SMSA'S"), 1950 to 1960, 1960 to 1970 and 1950 to 1970

	Change from 1950 to 1960		Change from 1960 to 1970		Change from 1950 to 1970	
	Number	Percent	Number	Percent	Number	Percent
Bridgeport Standard Metropolitan Statistical Area						
The SMSA	62,095	22.5%	51,170	15.1%	113,265	41.1%
Bridgeport city	-1,961	- 1.3	- 206	- 0.1	-2,167	- 1.4
Outside Bridgeport city	64,056	54.7	51,376	28.3	115,432	98.5
New Haven Standard Metropolitan Statistical Area						
The SMSA	47,787	17.5%	34,702	10.8%	82,489	30.2%
New Haven city	- 12,395	- 8.2	- 14,341	- 10.4	- 26,736	- 19.4
Outside New Haven city	60,182	55.4	49,043	29.1	109,225	100.6

SOURCE: TABLE , Population: Bridgeport Standard Metropolitan Statistical Area ("SMSA"), 1950, 1960 and 1970, and
TABLE , Population: New Haven Standard Metropolitan Statistical Area ("SMSA"), 1950, 1960 and 1970.

RESIDENTS OF SELECTED CONNECTICUT STANDARD METROPOLITAN STATISTICAL AREAS WHO WORK IN NEW YORK STATE, 1970

SMSA	Total Workers, 14 Years Old And Over, Residing In SMSA	Number Working In New York State 1/	Percent Working In New York State	Place of Work In New York State
Bridgeport SMSA	160,324	1,529	0.95 %	New York City
Danbury SMSA	30,658	1,730	5.61	
		235	0.76	Putnam County
		697	2.26	New York City
		798	2.59	Westchester County
New Haven SMSA	145,401	-	-	-
Norwalk SMSA	50,779	6,143	12.10	
		1,008	1.99	Westchester and Rockland Counties
		81	0.16	Bronx County
		3,257	6.41	New York County
		122	0.24	Kings County
		1,625	3.20	Remainder of New York City
		50	0.10	Remainder of New York, New York, SMSA
Stamford SMSA	85,881	16,549	19.27	
		1,475	1.72	Yonkers, Mount Vernon, New Rochelle, and White Plains Cities
		2,655	3.09	Remainder of Westchester County
		253	0.29	Bronx County
		10,332	12.03	New York County
		368	0.43	Kings County
		1,219	1.42	Remainder of New York City
		66	0.08	Rockland County
		181	0.21	Nassau and Suffolk Counties

1/ Excludes residents of Connecticut SMSAs (1) working in those areas not listed on the 20-category place-of-work listing; and (2) whose place of work was not reported. In constructing the place of work lists for each SMSA, the goal of the Bureau of the Census was "to account for the maximum number of workers living in the specified area within the limits of 20 lines or areas of work."

SOURCE: U. S. Department of Commerce, Social and Economic Statistics Administration, Bureau of the Census, Office of the Director, Correspondence to the U. S. Department of Justice.

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CONNECTICUT RESIDENTS EMPLOYED IN NEW YORK STATE, BY LABOR MARKET AREA RESIDENCE

Labor Market Area	Number of Labor Market Area Residents Employed	Number Working in New York State	Percent Working in New York State
Ansonia	18,540	20	.111
Bridgeport	136,200	1,630	1.20
Bristol	23,220	*	ϕ
Danbury	34,980	1,720	4.92
Danielson	17,310	*	ϕ
Hartford	230,740	290	.13
Meriden	42,570	50	.12
Middletown	35,200	40	.11
New Britain	45,430	40	.09
New Haven	130,410	610	.47
New London	40,300	*	ϕ
Norwalk	40,280	5,490	13.43
Norwich	22,080	*	ϕ
Stamford	68,650	14,850	21.63
Torrington	25,770	160	.62
Waterbury	72,900	140	.19
Willimantic	19,900	*	ϕ

* Less than 5.

ϕ Less than .05 percent.

Source: Connecticut Labor Department, Employment Security Division, Department of Research and Information, Commuting Patterns in Connecticut, June, 1966.

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RESIDENTS OF THE NEW YORK CITY STANDARD METROPLITAN STATISTICAL AREA (BY COUNTY) WHO WORK IN CONNECTICUT, 1970

County	Total Workers, 14 Years Old and Over, Residing In County	Number Working In Connecticut 2/	Percent Working In Connecticut	Place of Work In Connecticut
Bronx County 1/	512,269	2,457	0.48 %	Stamford SMSA
Kings County 1/	936,653	-	-	-
Nassau County	556,931	4,979	0.89	Stamford SMSA
New York County 1/	686,176	5,193	0.76	
		3,227	0.47	Stamford SMSA
		1,966	0.29	Norwalk SMSA
Queens County 1/	859,043	4,464	0.52	Stamford SMSA
Richmond County 1/	140,029	-	-	-
Rockland County	82,615	-	-	-
Suffolk County	382,507	-	-	-
Westchester County	366,311	7,800	2.13	
		6,329	1.73	Stamford SMSA
		1,471	0.40	Norwalk SMSA

1/ New York City

2/ Excludes New York City SMSA residents (1) working in those areas not listed on the 20-category place-of-work listing; and (2) whose place of work was not reported. In constructing the place of work lists for each SMSA, the goal of the Bureau of the Census was "to account for the maximum number of workers living in the specified area within the limits of 20 lines or areas of work."

SOURCE: U. S. Department of Commerce, Social and Economic Statistics Administration, Bureau of the Census, Office of the Director, Correspondence to the U. S. Department of Justice.

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EMPLOYMENT IN CONNECTICUT LABOR MARKET AREAS:
NUMBER AND PERCENT OF NEW YORK STATE RESIDENTS

Labor Market Area	Employment in Labor Market Area	Number Living in New York State	Percent Living in New York State
Ansonia	12,230	*	∅
Bridgeport	136,320	440	0.32%
Bristol	17,190	-	-
Danbury	29,990	540	1.80
Danielson	15,800	-	-
Hartford	265,380	*	∅
Meriden	37,500	*	∅
Middletown	27,870	20	0.07
New Britain	41,690	*	∅
New Haven	138,530	190	0.14
New London	47,110	-	-
Norwalk	38,100	710	1.86
Norwich	18,040	-	-
Stamford	64,310	5,230	8.14
Torrington	22,210	180	.81
Waterbury	69,840	*	∅
Willimantic	14,930	-	-

* Exact number could not be determined because for some component towns in New York State where Connecticut Labor Market Area workers reside, the only figure given in source was the symbol (*) meaning "less than 5".

∅ Less than .05 percent.

Source: Connecticut Labor Department, Employment Security Division, Department of Research and Information, Commuting Patterns in Connecticut, June 1966.

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POPULATION: CONNECTICUT, BY COUNTY, 1950, 1960 AND 1970

County	1950 Population	1950 Percent of the State	1950 Rank	1960 Population	1960 Percent of the State	1960 Rank	1970 Population	1970 Percent of the State	1970 Rank
Fairfield	504,342	25.1%	3	653,589	25.8%	3	792,814	26.1%	2
Hartford	539,661	26.9	2	689,555	27.2	1	816,737	26.9	1
Litchfield	98,872	4.9	5	119,856	4.7	5	144,091	4.8	5
Middlesex	67,332	3.4	6	88,865	3.5	6	115,018	3.8	6
New Haven	545,784	27.2	1	660,315	26.1	2	744,948	24.6	3
New London	144,821	7.2	4	185,745	7.3	4	230,654	7.6	4
Tolland	44,709	2.2	8	68,737	2.7	7	103,440	3.4	7
Windham	61,759	3.1	7	68,572	2.7	8	84,515	2.8	8
Connecticut	2,007,280	100.0	...	2,535,234	100.0	...	3,032,217	100.0	...

SOURCES: 1950: Connecticut Development Commission. Connecticut Market Data, 1971. Hartford, Connecticut, 1971, p. 21.
1960, 1970: U.S. Bureau of the Census. U.S. Census of Population: 1970-Number of Inhabitants (Final Report PC (1)-A8 Connecticut.) U.S. Government Printing Office, Washington, D. C., April 1971, pp. 8-15 - 8-16.

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POPULATION: UNITED STATES AND NEW ENGLAND (TOTAL AND BY STATE), SELECTED YEARS, 1929-1990

	Thousands of Persons							Percent Change			Percent of United States		
	1929	1940	1950	1959	1969	1980	1990	1929-69	1950-69	1969-90	1929	1969	1990
United States	121,769	132,456	151,871	177,124	201,877	234,208	269,759	66%	33%	34%	100.00%	100.00%	100.00%
New England:	8,130	8,449	9,316	10,437	11,759	13,896	16,138	45%	26%	37%	6.68%	5.82%	5.98%
Maine	797	849	917	957	992	1,136	1,297	24	8	31	0.65	0.49	0.48
New Hampshire	467	492	532	596	727	857	992	56	37	36	0.38	0.36	0.37
Vermont	359	363	379	387	439	513	586	22	16	33	0.29	0.22	0.22
Massachusetts	4,229	4,318	4,686	5,117	5,654	6,649	7,710	34	21	36	3.47	2.80	2.86
Rhode Island	684	719	786	857	935	1,086	1,240	37	19	33	0.56	0.46	0.46
CONNECTICUT	1,594	1,708	2,016	2,523	3,012	3,654	4,313	89	49	43	1.31	1.49	1.60

SOURCE: U. S. Department of Commerce (Social and Economic Statistics Administration, Bureau of Economic Analysis), Survey of Current Business, April 1972, p. 34 (Table 4).

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TOTAL EMPLOYMENT: UNITED STATES AND NEW ENGLAND (TOTAL AND BY STATE), SELECTED YEARS, 1950-1990

	Thousands of Persons					Percent Change		Percent of United States	
	1950	1959	1969[1]	1980	1990	1950-69	1969-90	1969	1990
United States	57,474.9	66,372.6	N.A.	93,820.0	106,917.0	N.A	N.A	-	-
New England	3,661.2	4,137.9	4,889.3	5,845.0	6,687.6	33.5	36.8	NA	6.3
Maine	315.2	347.7	380.5	455.5	515.2	20.7	35.4	NA	.5
New Hampshire	203.2	240.9	302.4	345.4	399.6	48.8	32.1	NA	.4
Vermont	137.6	142.7	170.3	207.2	235.0	23.8	38.0	NA	.2
Massachusetts	1,849.6	2,041.7	2,351.3	2,827.9	3,216.0	27.1	36.8	NA	3.0
Rhode Island	321.1	342.1	406.3	457.2	514.1	26.5	26.5	NA	.5
Connecticut	834.4	1,022.9	1,278.5	1,551.5	1,807.5	53.2	41.4	NA	1.7

N.A. - Not available

[1] Data for 1969 are from U.S. Department of Commerce (Social and Economic Statistics Administration, Bureau of the Census), 1970 Census of the Population, Series PC(1)-C 8,21,23,31,41,47, "General Social and Economic Characteristics," Table 53.

Source: U.S. Department of Commerce (Social & Economic Statistics Administration, Bureau of Economic Analysis), Survey of Current Business, April 1972, pp. 36-37 (Table 6).

GX-13

PERSONAL INCOME: UNITED STATES AND NEW ENGLAND (TOTAL AND BY STATE), SELECTED YEARS, 1929-1990

	Millions of 1967 Dollars							Percent Change			Percent of United States		
	1929	1940	1950	1959	1969	1980	1990	1929-69	1950-69	1969-90	1929	1969	1990
United States	$177,503	$196,422	$313,569	$432,349	$689,626	$1,115,898	$1,663,439	289%	120%	141%	100.00%	100.00%	100.00%
New England:	$ 14,596	$ 15,867	$ 20,578	$ 27,561	$ 43,466	$ 70,057	$ 104,352	198%	111%	140%	8.22%	6.30%	6.27%
Maine	984	1,100	1,500	1,923	2,767	4,470	6,755	181	84	144	0.55	0.40	0.41
New Hampshire	662	707	971	1,403	2,306	3,789	5,810	248	137	152	0.37	0.33	0.35
Vermont	464	461	586	760	1,321	2,137	3,249	185	125	146	0.26	0.19	0.20
Massachusetts	7,976	8,465	10,563	13,711	21,048	33,986	50,243	164	99	139	4.49	3.05	3.02
Rhode Island	1,232	1,336	1,741	2,085	3,256	5,177	7,645	164	87	135	0.69	0.47	0.46
CONNECTICUT	3,279	3,799	5,216	7,679	12,768	20,478	30,650	289	145	140	1.85	1.85	1.84

SOURCE: U.S. Department of Commerce (Social and Economic Statistics Administration, Bureau of Economic Analysis), Survey of Current Business, April 1972, p. 33 (Table 3).

PER CAPITA INCOME: UNITED STATES AND NEW ENGLAND (TOTAL AND BY STATE), SELECTED YEARS, 1929-1990

	1967 Dollars							Percent Change			Percent of United States		
	1929	1940	1950	1959	1969	1980	1990	1929-69	1950-69	1969-90	1929	1969	1990
United States	$1,458	$1,483	$2,065	$2,441	$3,416	$4,765	$6,166	134%	65%	81%	100%	100%	100%
New England:	$1,795	$1,878	$2,209	$2,641	$3,696	$5,042	$6,466	106%	67%	75%	123%	108%	105%
Maine	1,234	1,295	1,636	2,010	2,789	3,937	5,209	126	70	87	85	82	84
New Hampshire	1,417	1,436	1,826	2,353	3,171	4,421	5,856	124	74	85	97	93	95
Vermont	1,293	1,269	1,547	1,963	3,009	4,207	5,547	133	94	84	89	88	90
Massachusetts	1,886	1,960	2,254	2,680	3,723	5,111	6,516	97	65	75	129	109	106
Rhode Island	1,801	1,858	2,215	2,433	3,482	4,765	6,166	93	57	77	124	102	100
CONNECTICUT	2,057	2,224	2,587	3,044	4,239	5,603	7,106	106	64	68	141	124	115

SOURCE: U.S. Department of Commerce (Social and Economic Statistics Administration, Bureau of Economic Analysis), Survey of Current Business, April 1972, p. 35 (Table 5).

GX-15

NONAGRICULTURAL EMPLOYMENT, 1/ BY INDUSTRY, BRIDGEPORT LABOR MARKET AREA, 2/
SELECTED YEARS, 1954-1972 (JUNE OF EACH YEAR)

	1954		1958		1963		1968		1971		1972	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Total Nonagricultural Employment	122,590	100.0%	119,960	100.0%	130,280	100.0%	152,660	100.0%	147,220	100.0%	144,440	100.0%
Manufacturing:	71,350	58.2%	64,740	54.0%	69,450	53.3%	78,520	51.4%	63,350	43.0%	61,630	42.7%
Ordnance	3,680	3.0	2,820	2.4	2,470	1.9	3/	3/	3/	3/	3/	3/
Food	2,170	1.8	1,830	1.5	2,200	1.7	2,320	1.5	2,050	1.4	2,020	1.4
Apparel	4,220	3.4	3,480	2.9	3,580	2.7	3,320	2.2	2,510	1.7	2,520	1.7
Printing & Publishing	1,240	1.0	1,260	1.1	1,510	1.2	1,850	1.2	2,010	1.4	2,120	1.5
Rubber, & Miscellaneous Plastic Products	3,290	2.7	2,620	2.2	2,530	1.9	2,860	1.9	2,670	1.8	2,760	1.9
Stone, Clay & Glass	1,680	1.4	1,360	1.1	1,950	1.5	2,350	1.5	2,670	1.8	2,720	1.9
Primary Metals	8,070	6.6	5,820	4.9	5,340	4.1	5,600	3.7	4,530	3.1	4,380	3.0
Fabricated Metals	7,280	5.9	7,500	6.3	7,770	6.0	12,110 4/	7.9 4/	10,000	6.8 4/	10,170 4/	7.0 4/
Machinery	10,830	8.8	6,670	5.6	7,250	5.6	8,260	5.4	7,050	4.8	6,720	4.7
Electrical Equipment	11,400	9.3	10,420	8.7	11,110	8.5	11,500	7.5	9,760	6.6	9,970	6.9
Transportation Equipment	9,670	7.9	14,400	12.0	17,260	13.2	21,060	13.8	13,020	8.8	10,900	7.5
Instruments	3,040	2.5	2,420	2.0	2,040	1.6	2,310	1.5	2,370	1.6	2,550	1.8
Other Manufacturing	4,780	3.9	4,140	3.5	4,440	3.4	4,980	3.3	4,710	3.2	4,800	3.3
Nonmanufacturing:	51,240	41.8%	55,220	46.0%	60,830	46.7%	74,140	48.6%	83,870	57.0%	82,810	57.3%
Construction	5,630	4.6	6,300	5.3	5,370	4.1	5,870	3.8	5,750	3.9	4,630	3.2
Transportation, Communications, & Utilities:	5,870	4.8	5,690	4.7	5,670	4.4	5,910	3.9	6,190	4.2	6,190	4.3
Transportation (Including Railroads)	3,500	2.9	3,140	2.6	3,280	2.5	3,280	2.1	3,260	2.2	3,260	2.3
Communications & Utilities	2,370	1.9	2,550	2.1	2,390	1.8	2,630	1.7	2,930	2.0	2,930	2.0

NONAGRICULTURAL EMPLOYMENT, 1/ BY INDUSTRY, BRIDGEPORT LABOR MARKET AREA, 2/
SELECTED YEARS, 1954-1972 (JUNE OF EACH YEAR) - Continued

	1954		1958		1963		1968		1971		1972	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Nonmanufacturing: (Continued)												
Trade:	18,750	15.3	19,090	15.9	22,180	17.0	26,350	17.3	28,950	19.7	28,950	20.0
Wholesale	3,970	3.2	4,250	3.5	4,970	3.8	5,810	3.8	6,340	4.3	6,340	4.4
Retail	14,780	12.1	14,840	12.4	17,210	13.2	20,540	13.5	22,610	15.4	22,610	15.7
Finance, Insurance, & Real Estate	2,640	2.2	3,260	2.7	3,710	2.8	4,350	2.8	4,930	3.3	4,950	3.4
Service (Including Nonprofit)	10,330	8.4	11,310	9.4	13,920	10.7	18,200	11.9	22,030	15.0	22,060	15.3
Government	8,020	6.5	9,570	8.0	9,980	7.7	13,460	8.8	16,020	10.9	16,030	11.1

1/ Excludes workers idled due to labor-management disputes.
2/ Bridgeport Labor Market Area coincides with Bridgeport SMSA.
3/ Included in "Fabricated Metals".
4/ Includes "Ordnance".

Source: Connecticut Labor Department, Employment Security Division, Office of Research and Information, Total Nonagricultural Employment - By Industry, Correspondence to U. S. Department of Justice, April 24, 1972, and Bridgeport Labor Market Letter, July 1972.

NONAGRICULTURAL EMPLOYMENT 1/, BY INDUSTRY, NEW HAVEN LABOR MARKET AREA 2/,
SELECTED YEARS, 1954-1972 (JUNE OF EACH YEAR)

	1954		1958		1963		1968		1971		1972	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Nonagricultural Employment	119,070	100.0%	120,950	100.0%	132,560	100.0%	154,500	100.0%	158,750	100.0%	157,360	100.0%
Manufacturing	47,450	39.9%	41,500	34.3%	43,870	33.1%	47,150	30.5%	39,590	24.9%	38,340	24.4%
Ordnance	6,610	5.6	3,740	3.1	4,280	3.2	5,560	3.6	3,590	2.3	3,700	2.4
Food	3,130	2.6	2,760	2.3	2,440	1.8	2,160	1.4	2,080	1.3	1,860	1.2
Apparel & Leather	5,540	4.7	4,630	3.8	5,000	3.8	4,570	3.0	3,890	2.5	3,800	2.4
Paper	2,040	1.7	1,980	1.6	1,870	1.4	1,660	1.1	1,480	0.9	1,460	0.9
Printing & Publishing	2,430	2.0	2,630	2.2	2,830	2.1	3,300	2.1	3,080	1.9	3,020	1.9
Chemicals	350	0.3	590	0.5	1,650	1.2	1,460	.9	1,200	0.8	1,120	0.7
Rubber, & Miscellaneous Plastic Products	3,100	2.6	3,040	2.5	2,980	2.3	3,290	2.1	3,090	1.9	2,840	1.8
Stone, Clay & Glass	770	0.6	710	0.6	850	0.6	1,080	.7	1,000	0.6	840	0.5
Primary Metals	5,210	4.4	5,100	4.2	4,410	3.3	3,930	2.5	3,190	2.0	3,120	2.0
Fabricated Metals	3,990	3.4	3,130	2.6	3,350	2.5	4,700	3.0	4,460	2.8	4,430	2.8
Machinery	2,390	2.0	1,830	1.5	2,360	1.8	2,600	1.7	1,950	1.2	2,070	1.3
Electrical Equipment	2,470	2.1	2,400	2.0	2,450	1.9	3,220	2.1	2,960	1.9	3,090	2.0
Transportation Equipment	4,420	3.7	5,580	4.6	5,630	4.3	6,450	4.2	5,020	3.2	4,760	3.0
Other Manufacturing	5,000	4.2	3,380	2.8	3,770	2.8	3,170	2.1	2,600	1.6	2,230	1.4
Nonmanufacturing	71,620	60.1%	79,450	65.7%	88,690	66.9%	107,350	69.5%	119,160	75.1%	119,020	75.6%
Construction	6,260	5.3	7,390	6.1	8,290	6.3	7,830	5.1	8,670	5.5	8,290	5.3
Transportation, Communications, & Utilities:	11,810	9.9	12,530	10.4	12,550	9.5	13,840	9.0	14,070	8.9	14,610	9.2
Transportation (Including Railroads)	7,070	5.9	7,010	5.8	6,790	5.1	7,190	4.7	6,600	4.2	6,610	4.2
Communications & Utilities	4,740	4.0	5,520	4.6	5,760	4.3	6,650	4.3	7,470	4.7	7,800	5.0

NONAGRICULTURAL EMPLOYMENT 1/, BY INDUSTRY, NEW HAVEN LABOR MARKET AREA 2/,
SELECTED YEARS, 1954-1972 (JUNE OF EACH YEAR)

	1954		1958		1963		1968		1971		1972	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Nonmanufacturing: (Continued)												
Trade	21,540	18.1	23,250	19.2	25,280	19.1	29,630	19.2	32,750	20.6	32,910	20.92
Wholesale	6,470	5.4	6,700	5.5	7,120	5.4	8,910	5.8	9,410	5.9	9,370	6.0
Retail	15,070	12.7	16,550	13.7	18,160	13.7	20,720	13.4	23,340	14.7	23,540	15.0
Finance, Insurance, & Real Estate	6,190	5.2	6,400	5.3	7,190	5.4	7,640	4.9	8,520	5.4	8,610	5.5
Service (Including Nonprofit)	17,240	14.5	18,920	15.6	23,300	17.6	30,190	19.5	34,820	21.9	34,280	21.8
Government	8,580	7.2	10,960	9.1	12,080	9.1	18,220	11.8	20,330	12.8	20,520	13.0

1/ Excludes workers idled due to labor-management disputes.
2/ New Haven Labor Market Area includes New Haven SMSA plus Madison.

SOURCE: Connecticut Labor Department, Employment Security Division, Office of Research and Information, Correspondence to U. S. Department of Justice, April 24, 1972, and New Haven Labor Market Letter, July 1972.

GX-17

UNEMPLOYMENT AND THE NUMBER OF UNEMPLOYED AS A PERCENT OF THE LABOR FORCE: CONNECTICUT, 1947 - 1971 (ANNUAL AVERAGE)

Year	Number of Unemployed	Unemployment as Percent of Labor Force
1947	31,100	3.4%
1948	37,000	4.0
1949	60,800	6.7
1950	54,000	5.7
1951	34,300	3.5
1952	33,600	3.4
1953	33,200	3.2
1954	51,500	5.0
1955	44,000	4.2
1956	37,500	3.5
1957	46,100	4.2
1958	91,100	8.4
1959	70,000	6.4
1960	60,400	5.6
1961	74,500	6.7
1962	56,400	5.0
1963	55,500	4.9
1964	54,300	4.7
1965	46,000	3.9
1966	39,500	3.2
1967	43,100	3.4
1968	49,500	3.8
1969	51,700	3.9
1970	77,000	5.6
1971	102,000	6.7

SOURCE: Connecticut Labor Department, Employment Security Division, Office of Research and Information.
1947-1956: Telephone conversation, July 31, 1972.
1957-1971: Connecticut - Estimated Unemployment - By Area, Correspondence to U. S. Department of Justice, April 24, 1972.

GX-18

UNEMPLOYMENT, THE LABOR FORCE, AND THE NUMBER OF UNEMPLOYED AS A PERCENT OF THE LABOR FORCE: BRIDGEPORT LABOR MARKET AREA, NEW HAVEN LABOR MA
1957 - 1971 1/ (ANNUAL AVERAGE)

	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	
idgeport Labor Market Area 2/												
Unemployed	7,800	16,700	12,600	9,900	11,270	8,700	8,100	8,200	7,100	5,700	6,000	-
Labor Force	153,200	150,800	148,500	146,400	148,200	146,900	150,400	152,600	156,000	163,000	167,600	
Unemployed as Percent of Labor Force	5.1%	11.1%	8.5%	6.8%	7.6%	5.9%	5.4%	5.4%	4.6%	3.5%	3.6%	
w Haven Labor Market Area 3/												
Unemployed	5,600	10,500	8,400	6,800	8,250	7,000	5,900	6,900	5,700	5,200	5,400	
Labor Force	148,900	148,600	149,300	144,500	149,340	148,400	151,600	153,600	161,000	165,700	169,700	
Unemployed as Percent of Labor Force	3.8%	7.1%	5.6%	4.7%	5.5%	4.7%	4.6%	4.5%	3.5%	3.2%	3.2%	
nnecticut												
Unemployed	46,100	91,100	70,000	60,400	74,300	56,400	55,500	54,300	46,000	39,500	43,100	
Labor Force	1,090,800	1,089,800	1,094,600	1,077,700	1,111,500	1,124,000	1,142,700	1,158,000	1,185,000	1,241,000	1,285,600	1,3
Unemployed as Percent of Labor Force	4.2%	8.4%	6.4%	5.6%	6.7%	5.0%	4.9%	4.7%	3.9%	3.2%	3.4%	

1/ Area data prior to 1957 is not available.

2/ Bridgeport Labor Market Area coincides with Bridgeport SMSA, and includes the following towns: Bridgeport, Easton, Fairfield, Milford, Monroe, Shelton, Stratford, and Trumbull.

3/ New Haven Labor Market Area encompasses New Haven SMSA, plus the town of Madison. The Labor Market Area consists of the following towns: Bethany, Branford, East Haven, Guilford, Hamden, Madison, New Haven, North Branford, North Haven, Orange, West Haven, and Woodbridge.

URCE: Connecticut Labor Department, Employment Security Division, Office of Research and Information.
1957 - 1971: Connecticut - Estimated Unemployment - By Area, Correspondence to U. S. Department of Justice, April 24, 1972.

GX-18

LOYMENT, THE LABOR FORCE, AND THE NUMBER OF UNEMPLOYED AS A PERCENT OF THE LABOR FORCE: BRIDGEPORT LABOR MARKET AREA, NEW HAVEN LABOR MARKET AREA, AND CONNECTICUT, 1957 - 1971 1/ (ANNUAL AVERAGE)

1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
7,800	16,700	12,600	9,900	11,270	8,700	8,100	8,200	7,100	5,700	6,000	7,200	6,800	11,800	18,500
153,200	150,800	148,500	146,400	148,200	146,900	150,400	152,600	156,000	163,000	167,600	170,800	170,400	177,100	176,500
5.1%	11.1%	8.5%	6.8%	7.6%	5.9%	5.4%	5.4%	4.6%	3.5%	3.6%	4.2%	4.3%	6.7%	10.5%
5,600	10,500	8,400	6,800	8,250	7,000	5,900	6,900	5,700	5,200	5,400	6,000	6,100	8,700	13,700
148,900	148,600	149,300	144,500	149,340	148,400	151,600	153,600	161,000	165,700	169,700	174,000	174,200	183,400	188,100
3.8%	7.1%	5.6%	4.7%	5.5%	4.7%	4.6%	4.5%	3.3%	3.2%	3.2%	3.4%	3.5%	4.8%	7.3%
86,100	91,100	70,000	60,400	74,300	56,400	55,500	54,300	46,000	39,500	43,100	49,500	51,700	77,000	122,000	
,090,800	1,089,800	1,094,600	1,077,700	1,111,500	1,124,000	1,142,700	1,158,000	1,185,000	1,241,000	1,285,600	1,318,000	1,340,000	1,394,000	1,402,000
4.2%	8.4%	6.4%	5.6%	6.7%	5.0%	4.9%	4.7%	3.9%	3.2%	3.4%	3.8%	3.9%	5.6%	8.7%

ailable.

as with Bridgeport SMSA, and includes the following towns: Bridgeport, Easton, Fairfield, Milford, Monroe, Shelton,

ven New Haven SMSA, plus the town of Madison. The Labor Market Area consists of the following towns: Bethany, ven, Madison, New Haven, North Branford, North Haven, Orange, West Haven, and Woodbridge.

ployment Security Division, Office of Research and Information.
ployed Unemployment - By Area, Correspondence to U. S. Department of Justice, April 24, 1972.

RESIDENT POPULATION: UNITED STATES, NEW ENGLAND AND CONNECTICUT, SELECTED YEARS, 1960-1980

	Thousands of Persons					Percent Change	
	1960	1968	1970	1975	1980	1960-1970	1970-1980
United States	179,992.0	199,846.0	200,259.1	215,923.0	229,311.0	11.3%	14.5%
Metropolitan	113,584.4	135,558.8	136,579.2	149,541.3	161,637.3	20.2	18.3
New England	10,523.0	11,655.1	11,678.5	12,467.0	13,109.9	11.0	12.3
Metropolitan	7,419.2	8,246.2	8,237.6	8,838.6	9,346.2	11.0	13.5
Connecticut	2,544.0	2,965.2	2,988.0	3,258.0	3,492.1	17.5	16.9
Metropolitan	1,977.5	2,304.4	2,318.9	2,568.7	2,795.6	17.3	20.6
Bridgeport	336.3	385.0	385.7	430.0	471.0	14.7	22.1
New Haven	312.8	347.1	348.4	379.8	406.0	11.4	16.5

SOURCE: National Planning Association, Center for Economic Projections, Metropolitan Area Growth Patterns for the Coming Decade, December 1970, Table 1.

GX-20

TOTAL CIVILIAN EMPLOYMENT: UNITED STATES, NEW ENGLAND, AND CONNECTICUT, SELECTED YEARS, 1960-1980

	Thousands of Jobs				Percent Change	
	1960	1968	1975	1980	1960-1968	1968-1980
United States	67,547.0	80,163.9	90,151.7	98,198.4	18.7%	22.5%
Metropolitan	45,332.2	56,644.3	65,054.6	72,149.5	25.0	27.4
New England	4,381.4	5,062.8	5,614.3	6,011.3	15.6	18.7
Metropolitan	3,158.4	3,688.9	4,184.1	4,574.3	16.8	24.0
Connecticut	1,070.8	1,314.7	1,502.1	1,627.0	22.8	23.8
Metropolitan	855.6	1,061.8	1,229.2	1,352.8	24.1	27.4
Bridgeport	139.2	164.0	184.0	199.1	17.8	21.4
New Haven	136.5	166.2	189.4	205.9	21.8	23.9

SOURCE: National Planning Association, Center for Economic Projections, Metropolitan Area Growth Patterns for the Coming Decade, December 1970, Table 3.

GX-21

AVERAGE ANNUAL RATES OF GROWTH OF POPULATION AND EMPLOYMENT: UNITED STATES, NEW ENGLAND, AND CONNECTICUT, 1970-1980 AND 1968-1980

	Population 1970-1980	Employment 1968-1980
United States	1.18%	1.71%
Metropolitan	1.51	2.04
New England	0.98	1.44
Metropolitan	1.27	1.81
Connecticut	1.38	1.79
Metropolitan	1.70	2.04
Bridgeport	1.83	1.63
New Haven	1.35	1.80

SOURCE: National Planning Association, Center for Economic Projections, Metropolitan Area Growth Patterns for the Coming Decade, December 1970, Table 7.

GX-22

PERSONAL INCOME: UNITED STATES, NEW ENGLAND, AND CONNECTICUT, SELECTED YEARS, 1960-1980

	Millions of 1968 Dollars				Percent Change	
	1960	1968	1975	1980	1960-1968	1968-1980
United States	$459,573.6	$683,702.1	$931,548.1	$1,159,800.2	48.8%	69.6%
Metropolitan	331,926.3	512,762.3	710,133.2	894,055.3	54.5	74.4
New England	29,428.3	43,180.0	59,092.7	73,048.6	46.7	69.2
Metropolitan	22,160.3	32,697.2	45,288.3	56,646.2	47.5	73.2
Connecticut	8,227.2	12,611.0	16,955.9	21,037.7	53.3	66.8
Metropolitan	6,595.6	9,995.5	14,226.4	18,028.9	51.5	80.4
Bridgeport	909.7	1,412.1	1,983.0	2,490.9	55.2	76.4
New Haven	1,018.8	1,459.7	2,041.5	2,544.5	43.3	74.3

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POPULATION PROJECTIONS 1/ AND PROJECTED PERCENT CHANGES:
GREATER BRIDGEPORT REGION 2/,
SELECTED YEARS, 1970-2020

	Year				Percent Change					
					1970 to . . .			1980 to . . .		2000 to . . .
	1970	1980	2000	2020	1980	2000	2020	2000	2020	2020
Greater Bridgeport Region	310,200	372,000	508,000	660,000	19.9%	63.8%	112.8%	36.6%	77.4%	29.9%

1/ Projections made prior to the release of 1970 Census of Population data.

2/ Greater Bridgeport Region includes Bridgeport, Easton, Fairfield, Monroe, Stratford, and Trumbull. (The Bridgeport SMSA is comprised of these six towns plus Milford and Shelton.)

SOURCE: Clinton Bogert Associates, Consulting Engineers, Fort Lee, New Jersey, for Greater Bridgeport Regional Planning Agency, Regional Plan for Sewerage, Drainage and Water Supply, March 1970.

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POPULATION PROJECTIONS 1/ AND PROJECTED PERCENT CHANGES:
NEW HAVEN STANDARD METROPOLITAN STATISTICAL AREA (SMSA),
SELECTED YEARS 1970-2000

	Year				Percent Change					
					1970 to ...			1980 to ...		1990 to...
	1970	1980	1990	2000	1980	1990	2000	1990	2000	2000
New Haven SMSA	355,538	415,000	461,900	494,000	16.7%	29.9%	38.9%	11.3%	19.0%	7.0%

1/ Projections based on 1970 Census of Population.

SOURCE: Regional Planning Agency of South Central Connecticut, Population Projections - South Central Connecticut Region, December 16, 1971.

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POPULATION PROJECTIONS AND PROJECTED PERCENT CHANGES: BRIDGEPORT AND NEW H[illegible]N TELEPHONE DIVISIONS 1/,
SELECTED YEARS, 1971 - 1990

	Year										Percent Change								
											1970 to...			1975 to...			1980 to...		1985 to...
	1970	1971	1972	1973	1974	1975	1976	1980	1985	1990	1975	1980	1985	1990	1980	1985	1990	1985	1990	1990
rt Division 2/	403,831	406,021	411,957	419,429	427,546	436,018	444,312	477,129	520,813	571,834	8.0%	18.2%	29.0%	41.6%	9.4%	19.4%	31.1%	9.2%	19.8%	9.8%
n Division 3/	434,111	437,376	443,689	454,700	461,949	471,083	481,094	523,085	579,614	640,957	8.5	20.5	33.5	47.6	11.0	23.0	36.1	10.8	22.3	10.6

[illegible]nge boundaries of the Southern New England Telephone Company differ from the political boundaries.

[illegible]gport Division consists of eight exchange areas and coincides roughly with the following towns: Ansonia, Bridgeport, Derby, Easton, Fairfield, Monroe, Oxford, Seymour, Shelton, [illegible]xford, and Trumbull. (These towns, with the exception of Ansonia, Derby, Oxford, and Seymour, comprise the Bridgeport SMSA, with the addition of Milford).

[illegible]Haven Division consists of sixteen exchange areas and coincides roughly with the following towns: Bethany, Branford, Clinton, East Haven, Guilford, Hamden, Madison, Milford, [illegible]Haven, North Branford, North Haven, Orange, West Haven, and Woodbridge. (These towns, with the exception of Clinton, Madison, and Milford, comprise the New Haven SMSA).

Southern New England Telephone, Organization of Planning Engineer-Growth Estimates, General Planning and Long Range Forecast, September 1971 and March 1972.

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VALUE OF AND CHANGES IN RETAIL SALES: CONNECTICUT
BY STANDARD METROPOLITAN STATISTICAL AREA ("S.M.S.A.")
SELECTED YEARS, 1958 - 1971

	Value of Sales (Thousands of Dollars)				Changes in Value (Percent)					
	1958	1963	1967	1971	1963	1958 to 1967	1971	1963 to 1967	1963 to 1971	1967 to 1971
CTICUT:	$3,103,012	$3,928,576	$5,043,377	$6,523,988	26.6%	62.5%	110.2%	28.4%	66.1%	29.4%
Bridgeport SMSA	390,908	497,512	643,052	772,138	27.3	64.5	97.5	29.3	55.2	20.1
Hartford SMSA	729,429	918,971	1,215,042	1,566,633	26.0	66.6	114.8	32.2	70.5	28.9
Meriden SMSA	N.A.	69,870	88,337	109,198	N.A.	N.A.	N.A.	26.4	56.3	23.6
New Britain SMSA	142,851	168,420	212,593	252,760	17.9	48.8	76.9	26.2	50.1	18.9
New Haven SMSA	407,311	473,417	595,546	801,807	16.2	46.2	96.9	25.8	69.4	34.6
New London-Groton-Norwich SMSA	N.A.	262,998	304,470	453,095	N.A.	N.A.	N.A.	15.8	72.3	48.8
Norwalk SMSA	N.A.	178,949	254,564	326,824	N.A.	N.A.	N.A.	42.3	82.6	28.4
Stamford SMSA	265,149	332,872	419,965	540,116	25.5	58.4	103.7	26.2	62.3	28.6
Waterbury SMSA	205,974	259,722	309,407	417,958	26.1	50.2	102.9	19.1	60.9	35.1

- Not available.

: U. S. Bureau of the Census.

1958, 1963: 1963 Census of Business, Vol. 2, Retail Trade - Area Statistics, Part 1, U.S. Summary, Alabama - Illinois.
1967: 1967 Census of Business, Retail Trade - Area Statistics: Connecticut (BC67-RA8).

1971: Connecticut Development Commission (Correspondence to U. S. Department of Justice, July 12, 1972).

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PLAINTIFF'S INTERROGATORY TO DEFENDANTS,
SET 1, NO. 2

Interrogatory 2

(A) List and describe each service (e.g., regular checking accounts, special checking accounts, savings accounts, commercial loans, personal installment loans to purchase automobiles, safe deposit boxes, dividend collection, trustee for pension plan, and transfer agent) offered by Connecticut National and First New Haven at any time during the period January 1, 1967 to date.

(B) For the period January 1, 1967 to date, list and describe each service offered by Connecticut National which was not offered by First New Haven.

(C) For the period January 1, 1967 to date, list and describe each service offered by First New Haven which was not offered by Connecticut National.

CONNECTICUT NATIONAL BANK

INTERROGATORY #2

A. Bank Services

Savings Services

Regular passbook savings

Preferred Earnings Plan - no passbook, 90 day notice of withdrawal, premium interest rate.

Investment Certificates - six month, one year, and two year certificates of deposit in amounts less than $100,000.

Christmas Club

Investment Services

Purchase and sale of money market instruments for bank customers.

Sale and redemption of United States Savings Bonds.

Checking Accounts

Regular checking accounts - earnings credit on balances applied against activity charges.

Personal checking accounts - charges based upon combination of balance level and check volume. Free for customers over 65 and full-time stude

Loan Services

Commercial loans - time secured and unsecured; demand secured and unsecured.

Single payment loans to individuals - time secured and unsecured; demand secured and unsecured.

Education loans - current and deferred repayment financing of tuition costs.

Installment loans - secured and unsecured loans to individuals and businesses repaid in equal monthly installments, for a variety of purposes, including personal expenditures, home modernization, appliances, furniture, boats, travel trailers, mobile homes, new and used automobiles, trucks and busses, machinery and equipment.

Mortgage loans - residential, commercial and construction.

Credit card (Master Charge)

Corporate Services

Computer services: payroll preparation, professional billing, municipal tax bill preparation, account reconciliation, sales analysis, inventory control, tenant billing, accounts payable analysis, student accounting, and job cost analysis/labor distribution.

Other corporate services: federal tax depository, lock box service.

Fiduciary Services

- Executor of Wills
- Administrator of Estates
- Trustee under Wills
- Trustee of Living Trusts
- Guardian of Property of Minor Children
- Conservator of the Property of Incapable Persons
- Trustee of Pension Trusts and Profit-Sharing Trusts
- Trustee of Life Insurance Trusts
- Agent or Custodian for Individuals and for Fiduciaries
- Trustee of Bond Issues
- Stock Transfer Agent
- Registrar
- Dividend Disbursing Agent
- Cremation Agent
- Coupon and Bond Paying Agent

Other Services (individual and/or corporate):

- Safe deposit facilities
- Night depository facilities
- Banking by mail
- Travelers checks
- Foreign exchange
- Money orders
- Bank drafts
- Certified checks
- Cashiers checks
- Utility payments
- Collections of drafts, checks, etc.
- Wire transfers
- Letters of credit
- Credit information

B. Services offered by Connecticut National, not offered by First New Haven

- Professional billing
- Municipal tax bill preparation
- Tenant billing
- Student accounting
- Free checking accounts for full-time college students

THE FIRST NEW HAVEN NATIONAL BANK

RESPONSE TO INTERROGATORY 2

The following services have been and are now regularly offered by The First New Haven National Bank in its fiduciary capacity:

Executor of Wills - Settlement of estate of testator by nomination in the will and appointment by the Probate Court.

Administrator of Estates - Settlement of estate of an individual who died without leaving a will, by appointment of the Probate Court.

Trustee under Wills - Administration of trust created under the will of a testator by nomination in the will and by appointment of the Probate Court.

Trustee of Living Trusts - Administration of a trust by agreement created by an individual during lifetime.

Guardian of Property of Minor Children - Administration of the property of a minor by appointment of the Probate Court.

Conservator of the Property of Incapable Persons - Administration of the property of a legally incompetent person by appointment of the Probate Court.

Trustee of Pension Trusts and Profit-Sharing Trusts - Administration of trust established by an employer to provide benefits for employees.

Trustee of Life Insurance Trusts - Administration of a trust by agreement with creator of trust, funded or unfunded, composed wholly or in part of life insurance policies.

Agent or Custodian for Individuals and for Fiduciaries - Care of property the legal title to which remains vested in the individual or fiduciary: (1) with management responsibility (agent); (2) without management responsibility (custodia

Trustee of Bond Issues - Responsibility to see that terms of indenture under which bonds are issued are followed.

Stock Transfer Agent - Issue and re-issue of stock certificates. Maintenance of records of shareholders.

Registrar - Maintenance of bondholders' records for registered bonds. Guardian against over-issuance on stock.

Dividend Disbursing Agent - Calculate and pay dividends to stockholders; File IRS forms with copy to stockholder.

Fiscal Agent - Act on behalf of bondholders to see that security underlying issuance of bonds is maintained.

Cremation Agent - Sort and list cancelled bonds and coupons, and furnish certification as to destruction.

THE FIRST NEW HAVEN NATIONAL BANK

Interrogatory 2 (C)

(C) "For the period January 1, 1967, to date, list and describe each service offered by First New Haven which was not offered by Connecticut National."

CNB does NOT offer the following services:

Profit planning Service
Economic NewsLEtters
Fuel Oil Service Plan
Bankers Acceptances or
Acceptances
Overseas Leasing
Fiscal Agent for Trust Services
On-The-Job Banking

THE FIRST NEW HAVEN NATIONAL BANK

INTERROGATORY 2 A

SAVINGS SERVICES:

Passbook Savings - Time deposit accounts for which payments can be made only to the depositor in person or upon his written order, accompanied by the passbook.

Non-passbook Savings - Time deposits for which it is mandatory that the depositor appear in person to make a withdrawal.

Club Accounts - Time deposit accounts designated for a special purpose. "Club" is used as part of the title to indicate a group of people joined by a common interest.

Time Certificates of Deposit - Deposits evidenced by a negotiable or non-negotiable instrument which provides for the amount of the deposit to be paid on a certain date upon presentation and surrender of the instrument.

INVESTMENT SERVICES:

Security Transactions - Purchase and sale of securities, instruments for bank customers.

Commercial Paper Transactions - Purchase and sale of commercial paper for bank customers.

Savings Bonds - Purchase and sale, for bank customers, of United States Savings Bonds.

CHECKING SERVICES:

Regular Checking Account - Demand deposit accounts which receive an earnings credit as an offset to activity charges. Credit information is also supplied on accounts of this type.

Special Checking Accounts - Demand deposit accounts for individuals, which receive no earnings credit and are charged a fixed amount per check. No credit information is supplied on accounts of this type.

No Charge Checking Accounts - Special checking accounts with balances constantly in excess of $100 are subject to no activity charges.

Senior Citizen Checking Accounts - Checking services without activity charges for individuals over 65 years of age.

Bills and Specie - Meeting the currency and coin needs of the general public by cashing checks as well as maintaining an available source of ready cash.

Collections - For both cash and non cash collections the bank acts as an agent for its customers in insuring the proper receipt of funds.

Wholesale Checking - Large volume regular checking accounts which receive a negotiated rate/check because of their large volume activity or deposit balance.

LOAN SERVICES:

Commercial Loans - Composed of demand, time secured, unsecured, and bankers' acceptances.

Charge Card Plan - Sales slips from merchants are rendered to individual customer accounts. Customers may choose to pay the entire amount of their monthly statement without additional charge or they may pay in monthly installments with an additional percentage charged each month on the outstanding balance. Each customer has a credit limit to which he can raise his outstandings, or borrow against.

Collateral Loans - Time loans secured by the customer's pledging real or personal property to guarantee payment of the loan.

Education Loans - Loans for residents of Connecticut for the purpose of meeting school tuition costs.

Equipment Leasing - Term lending of bank owned equipment to industrial concerns.

Installment Loans - Loans which are repaid in equal monthly amounts over a period of time. We make the following categories of Installment Loans: Automobile (direct and indirect), dealer appliances, property improvement, Boat, Truck and Trailer Insurance, personal (both secured and unsecured), and for the Famous Artists School.

Mortgage Loans - Term loans on real estate property and improvements secured by the pledge of the property and improvement as guarantee.

CORPORATE SERVICES:

Withholding Tax Deposits - Tax deposits by individuals and corporations into our Treasury Tax and Loan account for credit to the Government.

Payroll Services - Bookkeeping, check issue, and on-the-job checking and saving services for corporate payrolls.

Profit Planning Services - Analyzation of a company's present financial structure with an eye to the financial outlook two, five or ten years in the future.

OTHER SERVICES:

Bank by Mail - Account holders may complete all normal savings and checking transactions by mail.

Bank Drafts - Checks drawn against the bank itself and which the bank accepts as its own obligations.

Certified Checks - Unpaid customer checks that have been accepted by the bank as its own obligation.

Economic Newsletter - A four page bi-weekly trade name "Impact", which is distributed to interested customers.

Financial Record Keeping - Customer bookkeeping maintainance.

LockBox Service - Payments mailed directly to the bank instead of to the payee company. The bank processes the items and credits the payee's account, advising the company of the individual items received so that receivables records may be up-dated.

Account Reconciliation - Complete balancing of the account from the customer's register of checks, or an account summary that includes a report of paid items and identifies those still open by showing skips in the number sequence.

Night Depository - Locked bag deposits into a secure shute for processing the following morning.

Personal Money Orders - Checks issued by the bank, but not signed by it. The amount is placed on the face of the check with a check protector, and the payee and signature are then filled in by the purchaser.

Safe Deposit Facilities - We offer 12 separate boxes ranging in size from 2" x 5 1/4" x 22" to 10 1/2" x 21 1/2" x 22".

Fuel Oil Service Plan - Computerized schedule for delivery service and maintenance of accounts receivable for independent fuel oil dealers in Connecticut,

and several other states.

THE FIRST NEW HAVEN NATIONAL BANK

Interrogatory 2 A

OTHER SERVICES (continued)

Utility Bill Payments - A service offered by selected offices to the public for payment of all utility bills.

On-The-Job Banking (OJB) - A service offered to employees of corporate customers of the bank whereby periodic credits are made to the employees' E Bond account, checking account or savings account.

INTERNATIONAL SERVICES:

Acceptance - A promise by the drawee of a time draft or bill of exchange that the instrument will be honored at maturity.

Banker's Acceptance - A time draft accepted by a bank which unconditionally promises to honor the draft at maturity.

Commercial Letter of Credit - An instrument issued by a bank, on behalf of its customer, lending its obligation to pay stated sums of money to sellers of goods against delivery of stipulated documents representing title to those goods.

Foreign Collections - The process of presenting foreign items to the maker or drawee for payment.

Foreign Exchange - Trading in or exchange of foreign currencies in relation to U.S. funds or other foreign currencies.

Export / Import Financing - A variety of ways for the exporter or importer to finance his international transactions, including government backed term financing programs for those firms that qualify.

Credit Information - Provide comprehensive credit investigations on overseas firms to assist our customers in establishing sound international trading relationships.

Money Transfer - Transfer of funds in U.S. dollars or foreign currencies to individuals or correspondent banks overseas by airmail, cable or Telex depending on the urgency of the transaction.

Travelers Checks - Sale of American Express, First National City Bank and other Travelers Checks.

Travelers Letter of Credit - A letter addressed by a bank to correspondents, making funds available to the beneficiary of the letter during his travels.

Overseas Leasing - Through the formation of Shorehaven Banks International, a joint overseas banking corporation, our bank has available flexible overseas leasing programs to service our customers' lease and financing needs.

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PLAINTIFF'S INTERROGATORY TO DEFENDANTS,
SET 1, NO. 12

Interrogatory 12

State for (A) Connecticut National and (B) First New Haven, the following information for each director of the bank since January 1, 1967:

(1) Name and address;

(2) Date first became director;

(3) Major business or professional occupation;

(4) Other banking and business affiliations.

THE CONNECTICUT NATIONAL BANK
DIRECTORS

	Became Director	Major Business or Professional Occupation	Other Banking and Business Affiliations
Theodore W. Atkinson c/o Handy & Harman 1770 Kings Highway Fairfield, Ct. 06430	January, 1968	Vice President, Manufacturing Handy & Harman	Corporator and Trustee of People's Savings Bank, Bridgeport
Theodore H. Beard 29 Ridgeway Easton, Ct. 06612	January 1940	Retired	Director of: Dictaphone Corporation Bridgeport Hydraulic Company
Edward P. Bullard 171 Spring Hill Road Trumbull, Ct. 06611	January, 1961	Consulting Designer and Engineer	President, Connecticut Precise Equipment Corporation Trustee, People's Savings Bank, Bridgeport
John J. Carlo 192 Saddle Hill Road Stamford, Ct. 06903	May, 1970	Owner - Wholesale Plumbing and Heating Supplies	None
Rowland H. Coleman c/o Remington Arms Company Bridgeport, Connecticut 06602	January, 1965	President, Remington Arms Company, Inc.	Trustee, People's Savings Bank, Bridgeport Director, Remington Arms Co., Inc. Director, Remington Arms of Canada, Ltd. Director, Cartuchos Deportivos de Mexico, S. A. - Cuernavaca, Morelos, Mexico

DIRECTORS

	Became Director	Major Business or Professional Occupation	Other Banking and Business Affiliations
Earle W. Couch c/o The Lea Mfg. Company 237 East Aurora St. Waterbury, Ct. 06720	February, 1971	Chairman of the Board, The Lea Manufacturing Company	Member Advisory Committee, Waterbury Office of The Connecticut National Bank
Sargent F. Eaton 111 Cherry Lane Fairfield, Ct. 06430	January, 1956	Retired	Director, People's Savings Bank, Bridgeport
John W. Field c/o Warnaco, Inc. 325 Lafayette Street Bridgeport, Ct. 06602	January, 1951	President, Warnaco, Inc.	Director, People's Savings Bank, Bridgeport Director, Instico, Inc., Meriden, Conn.
Robert M. Gordon c/o Milford Rivet & Machine Co. Milford, Ct. 06460	January, 1965	President, Milford Rivet & Machine Company	None
Roger W. Gunder c/o Stauffer Chemical Company 299 Park Avenue New York, New York 10017	June, 1971	President & Chief Executive Officer - Stauffer Chemical Co.	Director of: Stauffer Chemical Company Montrose Chemical Corp. American Chemical Corp. Toyo-Stauffer Chemical Co. Vice President, American Chemical Corporation
Alexander Hewley The Connecticut National Bank 888 Main Street Bridgeport, Connecticut 06602	January, 1966	President, The Connecticut National Bank	Director of: Acme United Corp. Chesaco Industries, Inc.

	Became Director	Major Business or Professional Occupation	Other Banking and Business Affiliations
Otto W. Heise c/o Heise Bourdon Tube, Inc. Newtown, Connecticut 06470	January, 1955	President, Heise Bourdon Tube	None
Maurice J. Hoffman c/o Hoffman Brothers 945 Main Street Bridgeport, Connecticut 06603	November, 1967	Partner, Hoffman Brothers	Vice President, Housatonic Management Company Trustee, Mechanics & Farmers Savings Bank, Bpt.
Wesley A. Kuhrt c/o Sikorsky Aircraft Div. United Aircraft Corporation Stratford, Connecticut 06497	January, 1970	Division President Sikorsky Aircraft Division United Aircraft Corporation	Trustee, People's Savings Bank, Bridgeport
Robert B. Kurtz c/o General Electric Company 1285 Boston Avenue Bridgeport, Connecticut 06610	March, 1971	Vice President, General Electric Company	Director of: Simplex-GE, Limited (England) Simplex-GE Mfg. Ltd. (England) General Electric (USA) Controls Private Limited (Singapore) International General Electric Puerto Rico, Inc. (Puerto Rico) General Electric (USA) Contractor Egypt, Ltd. (Bermuda)
Newman M. Marsilius c/o Producto Machine Company 990 Housatonic Avenue Bridgeport, Connecticut 06609	January, 1961	President, Producto Machine Co.	Director of: Acme Shear Co., Bridgeport Bpt. Hydraulic Co., Bridgeport Brown & Sharpe Mfg. Co. North Kingston, R. I.

	Became Director	Major Business or Professional Occupation	Other Banking and Business Affiliations
John E. Pfriem c/o Post Publishing Company Bridgeport, Connecticut 06603	February, 1971	President and Treasurer, Post Publishing Company	None
Paul A. Rust c/o Conn. Railway & Lighting Co. 55 Congress Street Bridgeport, Connecticut 06604	January, 1949	President and Treasurer Conn. Railway & Lighting Co.	None
Frederick B. Silliman c/o Bridgeport Hydraulic Co. 835 Main Street Bridgeport, Connecticut 06609	November, 1962	President, The Hydraulic Company	Director of: The Hydraulic Company Remington Arms Company The Silliman Company Trustee, People's Savings Bank, Bridgeport
William S. Simpson c/o Raybestos-Manhattan, Inc. 205 Middle Street Bridgeport, Connecticut 06603	July, 1953	President, Raybestos-Manhattan	Trustee, People's Savings Bank, Bridgeport
Richard H. Van Horn 1350 Brookside Drive Fairfield, Connecticut 06430	January, 1938	Retired	Director, The Home Savings & Loan Association

	Became Director	Major Business or Professional Occupation	Other Banking Business Affiliations
DeVer C. Warner 278 Sunnie Holme Drive Fairfield, Connecticut 06430	May, 1923	Chairman of the Board Bridgeport Hydraulic Co.	Director of: Bridgeport Hydraulic Company The Hydraulic Company Warnaco, Inc. Bridgeport Hospital Mountain Grove Cemetery Seymour Water Company Greenfield Company
Gen. Beverly H. Warren c/o Avco Lycoming Division Avco Corporation Stratford, Connecticut 06497	January, 1965	Vice President and General Manager, Avco Lycoming Division and Vice President Avco Corporation	Director of Bridgeport Hospital Trustee, Bridgeport Engineering Institute
Henry C. Wheeler c/o Acme United Corporation Bridgeport, Connecticut 06609	June, 1964	President & Director Acme United Corporation	Director, Bridgeport Metal Goods Manufacturing Company Vice President and Director, Mt. Grove Cemetery Assoc.
Austin R. Zender P. O. Box 310 Naugatuck, Connecticut 06770	January, 1960	Chairman of the Board, Peter Paul, Inc.	Director of: Harvey Hubbell, Inc. Hemingway Corporation The Eastern Company Hayden Switch & Instrument, Inc. Risdon Manufacturing Company Trustee, People's Savings Bank, Bridgeport

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INTERROGATORY NO. 12

Directors - The First New Haven National Bank
January 1, 1967, to Present Date

Name and Address
Date First Became Director
Major Business or Professional Occupation
Other Banking or Business Affiliations - To the extent known by Bank

Present Directors

Dudley F. Blanchard - 900 Chapel Square, New Haven, Connecticut 06510
February 11, 1969
Executive Vice President
Wyatt, Inc. Wholesale Oil Distributors

Richard H. Bowerman - 880 Broad Street, Bridgeport, Connecticut 06609
January 17, 1956
President - The Southern Connecticut Gas Company

Director - New Haven Water Company
The Connecticut Savings Bank
Ball & Socket Manufacturing Company
Pond Lily Company
The Southern Connecticut Gas Company

Guido Calabresi - 639 Amity Road, Woodbridge, Connecticut 06525
February 2, 1965
Appointed Associate Director February 10, 1970
Professor of Law - Yale University; Director-Crosby Co., Minneapolis; Concorn Computing Corp., Bedford, Mass

Allan R. Carmichael - 47 Church Street, New Haven, Connecticut 06510
March 22, 1954
The Connecticut Savings Banks
Chairman of the Board and Trustee

Frank G. Chadwick, Jr. - One Church Street, New Haven, Connecticut 06502
February 13, 1968
President - The First New Haven National Bank

Director - The Berger Brothers Company
F. D. Grave & Son, Inc.
Simkins Industries, Inc.
The Southern Connecticut Gas Company

Joel Cohn - Post Office Box 394, New Haven, Connecticut 06502
(573 Dixwell Avenue)
February 2, 1965
President & Treasurer - Joseph Cohn & Son, Inc.
Painting and Decorating Contractors

Director - New Haven Water Company

William J. Cooper - 80 Temple Street, New Haven, Connecticut 06510
January 1957
Chairman of the Board
The United Illuminating Company (Electric Company)

Director - The United Illuminating Company
New Haven Savings Bank
Bridgeport Hydraulic Company
Connecticut Yankee Atomic Power Company

James H. Gilbert - 90 Sargent Drive, New Haven, Connecticut 06511
February 8, 1966
President - C. W. Blakeslee & Sons, Inc.
General Contractors - Concrete

Director - Shore Line Sand & Gravel Company
Chemically Prestressed Concrete Corp.
Vacuum Concrete Corporation of America
C. W. Blakeslee & Sons, Inc.

Trustee - The Connecticut Savings Bank

Thomas Hooker - One Church Street, New Haven, Connecticut 06502
February 11, 1969
Executive Vice President
The First New Haven National Bank

Lionel S. Jackson - 367 Orange Street, New Haven, Connecticut 06511
January 1954
Executive Vice President
The Register Publishing Company
Daily and Sunday Newspapers

Director - The Register Publishing Company
Life Insurance Company of Connecticut

Robert E. Lapides - 100 United Drive, North Haven, Connecticut
January 22, 1963
President - United Aluminum Corporation

Director - New Haven Savings Bank
United Aluminum Corporation-North Haven
Hamden Steel and Aluminum Co., Inc.

John W. McDevitt - Post Office Drawer 1670, New Haven, Connecticut
(One Columbus Plaza)
February 8, 1966
Supreme Knight - Knights of Columbus
Fraternal Order

Director - The United Illuminating Company

Howard T. Phelan - Two Greenwich Plaza, Greenwich, Connecticut
February 10, 1970
President - Jamaica Water & Utilities Company

Director - Jamaica Water & Utilities, Inc.

Albert S. Redway - 17 Old Orchard Road, North Haven, Connecticut 0647?
January 11, 1949
Retired - formerly Consultant - The Stanley Works

J. Coy Reid - 152 Knoll Drive, Hamden, Connecticut 06518
December 31, 1959
Retired - formerly Chairman of the Board
The First New Haven National Bank

Charles M. O'Hearn - 21 Charlton Hill, Hamden, Connecticut 06518
January 1954
Retired - formerly Assistant to the President-
Yale University

Page Three - Directors - The First New Haven National Bank

C. Forbes Sargent - 123 York Street, New Haven, Connecticut
January 1953
Retired - formerly Chairman of the Board
Sargent & Company
(Builders-Hardware Tools)

C. Newton Schenck, III - 205 Church Street, New Haven, Connecticut 06510
February 14, 1967
Attorney and Partner - Wiggin and Dana
Director - New Haven Terminal, Inc.
New Haven Food Terminal, Inc.
Doctor's Building of New Haven, Inc.

P. Morgan Taylor, Jr. - 275 Winchester Avenue, New Haven, Connecticut 06511
February 14, 1967
Corporate Vice President - Olin Corporation
Director - The Edward Malley Company

Stanley S. Trotman - 215 Church Street, New Haven, Connecticut 06510
January 1954
New Haven County District Agent
Northwestern Mutual Life Insurance Company
Trustee - The Connecticut Savings Bank

Edgar Tullock - Northrop Road, Woodbridge, Connecticut 06525
February 10, 1970
President
Miner, Read & Tullock, Inc.
(Wholesale Grocers)

Alfred W. Van Sinderen - 227 Church Street, New Haven, Connecticut 06510
February 8, 1966
President - The Southern New England Telephone Co.
Director - The Stanley Works, New Britain
United Aircraft Corporation
The Southern New England Telephone Co.

Henry C. Wallich - 88 Cold Spring Street, New Haven, Connecticut 06511
February 14, 1967
Professor of Economics - Yale University
Director - The United Illuminating Company
Senior Consultant - U.S. Secretary of the Treasury
Consultant - Board of Governors of the
Federal Reserve System
- Arms Control and Disarmament

W. Perry Welch - 59 Wall Street, New York, New York 10005
February 9, 1971
Deputy Manager - Brown Brothers Harriman & Company
Director - Perry Corporation
Harwel Corporation

Wilford H.Welch - 71 Silver Hill Road, Weston, Massachusetts
July 1, 1971
Senior Consultant & Director - Asian Affairs
Arthur D. Little, Inc.

Paul M. Zorn (Deceased 10-2-71) - 15 Woodstock Road, Hamden, Connecticut 06517
January 12, 1954
Retired - formerly President
The Southern New England Telephone Co.

Retired and Deceased Directors

Carleton W. Blanchard - Mansfield Road, North Haven, Connecticut
January 1956
Retired as Director - February 11, 1969
Chairman of the Board - Wyatt, Inc.

C. Raymond Brook - Foote Hill Road, Northford, Connecticut 06472
February 28, 1946
Retired as Director - February 10, 1970
formerly Chairman of the Board -
The Brock-Hall Dairy Company

Director - New Haven Water Company
Trustee - Connecticut Savings Bank
Honorary Director - Mutual Insurance Company
Covenant Insurance Company

Arthur L. Corbin, Jr. - Elected July 6, 1936
Appointed Associate Director February 13, 1968
Deceased October 8, 1969
formerly President - New Haven Water Company

William A. Flint, Sr. - 196 Chapel Street, New Haven, Connecticut 06516
January 11, 1955
Retired as Director - February 10, 1970
Chairman of the Board - A. W. Flint Company
(ladder manufacturers)

Herman R. Giese - Elected September 1937
Deceased November 1968 [while serving as Director]
Formerly President - Sargent & Company

Hugh MacArthur - Seven Old Hartford Turnpike, Hamden, Connecticut
Elected December 24, 1945
Retired as Director - February 14, 1967

Merritt D. Vanderbilt - Elected January 11, 1949
Retired as Director - February 14, 1967
Deceased June 8, 1971
formerly Chairman of the Board -
High Standard Manufacturing Company

G. Harold Welch - Brewster Lane, Mt. Carmel, Connecticut 06518
January 23, 1961
Retired as Director February 9, 1971
President - Harwel Corporation
Vice President & Director -
Stevens New Haven Development Corporation
Associate Member - Stevens Associates

Noble Welch - Chemical Bank - 46 Ave des Arts
1040 Brussels, Belgium
February 10, 1970
Resigned as Director June 30, 1971
Vice President - Chemical Bank, New York

KEY

Bank	Branches
1. Hartford Nat'l Bank & Trust Co., Hartford	Bloomfield Colchester Danbury East Hartford (2) East Lyme Essex Fairfield Farmington Groton (2) Hamden Hartford (8) Harwinton Ledyard Manchester (4) Middletown (3) Montville New Haven (3) New London (2) Newington Norwich (2) Old Saybrook Plainfield Putnam Stamford (5) Stonington (2) Thompson Torrington (3) Waterford West Hartford (3) Wethersfield Windsor (2) Winchester
2. Connecticut Bank & Trust Co., Hartford	Avon Bloomfield Bridgeport Bristol (3) Brooklyn Cromwell Darien East Hampton East Hartford (3) Enfield Fairfield Groton Haddam Hamden Hartford (9) Killingly Manchester (3) Mansfield Meriden (2) Middletown (3) Milford New Haven (4)

Bank	Branches
Connecticut Bank & Trust Co., Hartford (Cont'd.)	New London Newington Norwich (4) Plainfield (2) Somers Stafford Torrington Vernon Wallingford Waterford West Hartford (5) Wethersfield Winchester Windham Windsor
3. Union Trust Co., New Haven	Ansonia Bethel Branford Danbury (5) Darien (2) Greenwich (3) Stamford Wilton
4. State Nat'l Bank of Connecticut, Bridgeport	Ansonia (2) Bridgeport (4) Brookfield Danbury (4) Darien Fairfield (3) Greenwich (5) New Haven Naugatuck New Canaan New Milford Ridgefield Shelton (2) Stamford (7) Stratford Trumbull Wallingford Watertown Wilton
5. Connecticut Nat'l Bank, Bridgeport	Ansonia (2) Bethel Bridgeport (9) Brookfield Danbury (2) Darien Fairfield (5) Milford Monroe (2) New Canaan New Fairfield New Milford

Bank	Branches
Connecticut Nat'l Bank, Bridgeport (Cont'd.)	Newtown Norwalk (3) Orange Prospect Ridgefield Shelton (3) Southbury Stamford (4) Stratford (2) Trumbull (2) Waterbury (2) Westport Wolcott
6. City Nat'l Bank of Connecticut, Bridgeport	Bridgeport (5) Cheshire Danbury (3) Fairfield (2) Middlebury Milford Naugatuck Norwalk Stratford (2) Trumbull Washington Waterbury (5) Watertown Wilton Woodbury
7. First New Haven Nat'l Bank	Branford (2) Derby East Haven Guilford Hamden Milford (3) New Haven (8) Orange Wallingford West Haven
8. Colonial Bank & Trust Co., Waterbury	Bridgewater Brookfield Cheshire Kent Meriden (2) Naugatuck New Milford (3) Sharon Southbury (2) Thomaston Torrington (5) Wallingford (2) Waterbury (6) Watertown (2) Wolcott Woodbury

Bank	Branches
9. First Conn. Bancorporation, Hartford	
9A United Bank & Trust Co., Hartford	Bristol (4) East Windsor East Hartford Essex Hartford (3) Middletown New Hartford Old Lyme Portland West Hartford (2) Windsor
9B New Britain Nat'l Bank, New Britain	Berlin (2) New Britain (2) West Hartford
9C Simsbury Bank & Trust Co., Simsbury	Avon Canton Granby
10. Second Nat'l Bank, New Haven	Branford Derby East Haven Guilford (2) Hamden (2) Milford New Haven (5) North Haven West Haven (2)
11. Putnmum Trust Co. of Greenwich	Greenwich (3)
12. Fidelity Trust Co., Stamford	Darien Stamford (7)
13. New Britain Bank & Trust Co.	Berlin Bloomfield New Britain (3) Newington Rocky Hill
14. Westport Bank & Trust Co.	Weston Westport (4)
15. Home Nat'l Bank & Trust Co.	Cheshire Meriden (2) Middletown Prospect Wallingford

Bank	Branches
16. Lafayette Bank & Trust Co., Bridgeport	Bridgeport (4) Fairfield
17. Merchants Bank & Trust Co., Norwalk	Norwalk (3)
18. Willimantic Trust Co.	Killingly (2) Mansfield Windham
19. Northern Conn. Nat'l Bank, Windsor Locks	Ellington Enfield (3) East Windsor (3)
20. Plainville Trust Co.	Farmington (2) Plainville (2)
21. Constitution Nat'l Bank, Hartford	Newington Wethersfield West Hartford
22. Seymour Trust Co.	Oxford
23. South End Bank & Trust Co., Hartford	Hartford West Hartford (2)
24. Charter Oak Bank & Trust Co., Hartford	Hartford (2)
25. Hamden Nat'l Bank	Hamden
26. Glastonbury Bank & Trust Co.	East Hartford
27. Clinton Nat'l Bank	Killingworth Madison Westbrook
28. Citizens Nat'l Bank of Putnam	Thompson
29. First Nat'l Bank of Litchfield	Washington (2)
30. Southington Bank & Trust Co.	Southington (2)

Bank	Branches
31. Community Banking Co. of N. Branford	Durham East Haven Guilford
32. Westport Nat'l Bank	Westport
33. Laurel Bank & Trust Co., Meriden	Middlefield
34. Orange Nat'l Bank	Derby West Haven
35. Citizens Bank & Trust Co. of Glastonbury	Glastonbury Hebron Marborough
36. South Windsor Bank & Trust Co.	East Windsor South Windsor
37. Vernon Nat'l Bank	Vernon (2)
38. North Haven Nat'l Bank	North Haven
39. Fairfield County Nat'l Bank	Norwalk
40. Winthrop Bank & Trust Co., New London	
41. Salisbury Bank & Trust Co., Lakeville	Salisbury
42. Citizens Nat'l Bank of Southington	Southington
43. Terryville Trust Co.	Plymouth
44. Woodbridge Bank & Trust Co.	
45. Deep River Nat'l Bank	Essex
46. Jewett City Trust Co.	
47. National Iron Bank of Falls Village	

Bank	Branches
48. Mattatuck Bank & Trust Co.	
49. Bank of Stratford	
50. First Nat'l Bank of Suffield	
51. Canaan Nat'l Bank	
52. Manchester State Bank	
53. First Nat'l Bank of Enfield	
54. First Stamford Bank & Trust Co.	
55. Chester Trust Co.	
56. Nat'l Bank of New England, E. Haddam	
57. Danbury Bank & Trust Co.	
58. Meriden Trust & Safe Deposit Co.	
59. New England Bank & Trust Co., Enfield	

GX-33

CONNECTICUT NATIONAL BANK
Main Office
IPC Demand Deposits
September 30, 1971
(Dollar amounts in thousands)

	Total: All Class Sizes				$1 - $10,000				$10,001 - $100,000				$100,001 & over			
	NUMBER		VALUE		NUMBER		VALUE		NUMBER		VALUE		NUMBER		VALUE	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
Bridgeport	4,623	59.3	$26,121	67.8	4,353	58.6	$3,457	60.7	229	74.8	$6,822	73.9	41	67.2	$15,842	67.2
Stratford	766	9.8	4,677	12.1	752	10.1	433	7.6	7	2.3	241	2.6	7	11.5	4,003	17.0
Fairfield	633	8.1	871	2.3	618	8.3	502	8.8	14	4.6	190	2.1	1	1.6	178	0.8
Trumbull	439	5.6	387	1.0	436	5.9	312	5.5	3	1.0	74	0.8	-		-	
Easton	108	1.4	164	0.4	107	1.4	142	2.5	1	0.3	21	0.2	-		-	
Monroe	104	1.3	52	0.1	104	1.4	52	0.9	-		-		-		-	
Shelton	104	1.3	71	0.2	103	1.4	54	0.9	1	0.3	18	0.2	-		-	
Milford	311	4.0	742	1.9	304	4.1	154	2.7	6	2.0	301	3.3	1	1.6	287	1.2
Bridgeport SMSA	7,088	90.9	33,085	85.9	6,777	91.2	5,106	89.6	261	85.3	7,667	83.0	50	82.0	20,310	86.1
New Haven SMSA	92	1.2	434	1.1	89	1.2	78	1.4	2	0.7	155	1.7	1	1.6	200	0.8
Other towns in which CNB operates offices 1/	194	2.5	320	0.8	186	2.5	169	3.0	8	2.6	151	1.6	-		-	
Other Connecticut	157	2.0	445	1.2	149	2.0	39	0.7	7	2.3	215	2.3	1	1.6	192	0.8
New York	87	1.1	2,784	7.2	69	0.9	57	1.0	14	4.6	513	5.6	4	6.6	2,215	9.4
All Other Areas	177	2.3	1,453	3.8	158	2.1	250	4.4	14	4.6	536	5.8	5	8.2	667	2.8
Total	7,795	100.0	$38,521	100.0	7,428	100.0	$5,699	100.0	306	100.0	$9,237	100.0	61	100.0	$23,585	100.0

1/ Westport, Norwalk, Darien, New Canaan, Ridgefield, Danbury, Bethel, Brookfield, New Fairfield, New Milford, Southbury, Waterbury, Wolcott, Prospect, Ansonia and Derby.

Note: Due to rounding figures may not add to totals.

Source: Defendants' Answer to Plaintiff's Interrogatory Number 7B.

GX-34

CONNECTICUT NATIONAL BANK
Main Office
IPC Time and Savings Deposits
September 30, 1971
(Dollar amounts in thousands)

	Total: All Class Sizes				$1 - $10,000				$10,001 - $100,000				$100,001 & over			
	NUMBER		VALUE		NUMBER		VALUE		NUMBER		VALUE		NUMBER		VALUE	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
Bridgeport	5,339	76.0	$10,696	75.0	5,087	76.2	$5,168	72.5	247	71.8	$4,028	71.4	5	100.0	$1,500	100.0
Stratford	565	8.0	1,145	8.0	540	8.1	698	9.8	25	7.3	447	7.9	-		-	
Fairfield	303	4.3	658	4.6	287	4.3	390	5.5	16	4.7	268	4.8	-		-	
Trumbull	221	3.1	446	3.1	207	3.1	244	3.4	14	4.1	202	3.6	-		-	
Easton	37	0.5	186	1.3	30	0.4	51	0.7	7	2.0	135	2.4	-		-	
Monroe	29	0.4	37	0.3	29	0.4	37	0.5	-		-		-		-	
Shelton	51	0.7	38	0.3	51	0.8	38	0.5	-		-		-		-	
Milford	138	2.0	311	2.2	127	1.9	109	1.5	11	3.2	202	3.6	-		-	
Bridgeport SMSA	6,683	95.1	13,517	94.7	6,358	95.3	6,735	94.5	320	93.0	5,282	93.6	5	100.0	1,500	100.0
New Haven SMSA	44	0.6	59	0.4	43	0.6	42	0.6	1	0.3	17	0.3	-		-	
Other towns in which CNB operates offices 1/	79	1.1	181	1.3	77	1.2	126	1.8	2	0.6	55	1.0	-		-	
Other Connecticut	91	1.3	180	1.3	82	1.2	42	0.6	9	2.6	138	2.5	-		-	
New York	38	0.5	75	0.5	37	0.6	64	0.9	1	0.3	10	0.2	-		-	
All Other Areas	89	1.3	256	1.8	78	1.2	118	1.7	11	3.2	139	2.5	-		-	
Total	7,024	100.0	$14,268	100.0	6,675	100.0	$7,127	100.0	344	100.0	$5,641	100.0	5	100.0	$1,500	100.0

1/ Westport, Norwalk, Darien, New Canaan, Ridgefield, Danbury, Bethel, Brookfield, New Fairfield, Southbury, Waterbury, Wolcott, Prospect, Ansonia and Derby.

Note: Due to rounding figures may not add to totals.

SOURCE: Defendants' Answer to Plaintiff's Interrogatory Number 7B.

GX-35

CONNECTICUT NATIONAL BANK
Main Office
Commercial and Industrial Loans
September 30, 1971
(Dollar amounts in thousands)

	Total: All Class Sizes				$1 - $10,000				$10,001 - $100,000				$100,001 & over			
	NUMBER		VALUE		NUMBER		VALUE		NUMBER		VALUE		NUMBER		VALUE	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
Bridgeport	246	25.4	$11,764	39.8	159	20.8	$607	22.5	70	41.7	$2,056	48.7	17	51.5	$9,101	40.2
Stratford	51	5.3	2,209	7.5	39	5.1	117	4.3	9	5.4	209	5.0	3	9.1	1,883	8.3
Fairfield	59	6.1	2,693	9.1	54	7.0	181	6.7	3	1.8	119	2.8	2	6.1	2,393	10.6
Trumbull	11	1.1	454	1.5	5	0.7	17	0.6	5	3.0	137	3.2	1	3.0	300	1.3
Easton	18	1.9	261	0.9	12	1.6	35	1.3	6	3.6	226	5.4	-		-	
Monroe	8	0.8	74	0.3	5	0.7	13	0.5	3	1.8	61	1.4	-		-	
Shelton	94	9.7	482	1.6	82	10.7	269	10.0	12	7.1	213	5.0	-		-	
Milford	56	5.8	281	1.0	52	6.8	203	7.5	4	2.3	78	1.8	-		-	
Bridgeport SMSA	543	56.2	18,218	61.6	408	53.3	1,442	53.4	112	66.7	3,099	73.4	23	69.7	13,677	60.4
New Haven SMSA	6	0.6	1,014	3.4	5	0.7	14	0.5	-		-		1	3.0	1,000	4.4
Other towns in which CNB operates offices 1/	375	38.8	2,137	7.2	324	42.3	1,121	41.5	51	30.4	1,016	24.1	-		-	
Other Connecticut	22	2.3	3,731	12.6	16	2.1	58	2.1	2	1.2	33	0.8	4	12.1	3,639	16.1
New York	7	0.7	4,155	14.0	1	0.1	6	0.2	2	1.2	59	1.4	4	12.1	4,090	18.1
All Other Areas	14	1.4	321	1.1	12	1.6	58	2.1	1	0.6	14	0.3	1	3.0	250	1.1
Total	967	100.0	$29,576	100.0	766	100.0	$2,699	100.0	168	100.0	$4,221	100.0	33	100.0	$22,656	100.0

1/ Westport, Norwalk, Darien, New Canaan, Ridgefield, Danbury, Bethel, Brookfield, New Fairfield, New Milford, Southbury, Waterbury, Wolcott, Prospect, Ansonia and Derby.

Note: Due to rounding figures may not add to totals.

Sources: Defendants' Answer to Plaintiff's Interrogatory Number 9B, and Plaintiff's Interrogatory Number 1, Set 3.

GX-36

CONNECTICUT NATIONAL BANK
Main Office
Installment Loans
September 30, 1971
(Dollar amounts in thousands)

	Total: All Class Sizes				$1 - $10,000				$10,001 - $100,000				$ 100,001 & over			
	NUMBER		VALUE		NUMBER		VALUE		NUMBER		VALUE		NUMBER		VALUE	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
Bridgeport	15,043	18.0	$4,805	18.6	15,038	18.0	$4,713	18.8	5	13.5	$ 92	12.4	-		-	
Stratford	6,420	7.7	2,057	8.0	6,418	7.7	2,017	8.0	2	5.4	40	5.4	-		-	
Fairfield	6,792	8.1	2,449	9.5	6,787	8.1	2,331	9.3	5	13.5	118	15.9	-		-	
Trumbull	4,293	5.1	1,371	5.3	4,291	5.1	1,319	5.2	2	5.4	52	7.0	-		-	
Easton	507	0.6	241	0.9	506	0.6	225	0.9	1	2.7	17	2.3	-		-	
Monroe	1,572	1.9	569	2.2	1,571	1.9	558	2.2	1	2.7	11	1.5	-		-	
Shelton	407	0.5	619	2.4	404	0.5	583	2.3	3	8.1	36	4.9	-		-	
Milford	3,971	4.7	1,532	5.9	3,969	4.7	1,491	5.9	2	5.4	42	5.7	-		-	
Bridgeport SMSA	39,005	46.6	13,643	52.7	38,984	46.6	13,237	52.7	21	56.8	408	55.1	-		-	
New Haven SMSA	4,001	4.8	1,197	4.6	3,999	4.8	1,157	4.6	2	5.4	40	5.4	-		-	
Other towns in which CNB operates offices 1/	22,051	26.3	5,789	22.4	22,048	26.3	5,753	22.9	3	8.1	36	4.9	-		-	
Other Connecticut	15,937	19.0	4,098	15.8	15,927	19.0	3,878	15.4	10	27.0	218	29.4	-		-	
New York	712	0.8	235	0.9	712	0.9	235	0.9	-		-		-		-	
All Other Areas	2,072	2.5	912	3.5	2,071	2.5	873	3.5	1	2.7	39	5.3	-		-	
Total 2/	83,778	100.0	$25,874	100.0	83,741	100.0	$25,133	100.0	37	100.0	$741	100.0	-		-	

1/ Westport, Norwalk, Darien, New Canaan, Ridgefield, Danbury, Bethel, Brookfield, New Fairfield, New Milford, Southbury, Waterbury, Wolcott, Prospect, Ansonia and Derby.

2/ Does not include 1,477 Education Loans Totaling $1,369,070.61 which are not yet on a repayment schedule.

Note: Due to rounding figures may not add to totals.

Source: Defendants' Answer to Plaintiff's Interrogatory Number 9B.

GX-17

CONNECTICUT NATIONAL BANK
Main Office
Single Payment Loans
September 30, 1971
(Dollar amounts in thousands)

	Total: All Class Sizes				$1 - $10,000				$10,001 - $100,000				$100,001 & Over			
	NUMBER		VALUE		NUMBER		VALUE		NUMBER		VALUE		NUMBER		VALUE	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
Bridgeport	123	44.6	$2,181	47.5	91	44.2	$299	40.4	30	46.2	$858	43.9	2	40.0	$1,025	54.1
Stratford	19	6.9	591	12.3	16	7.8	48	6.5	2	3.1	75	3.8	1	20.0	468	24.7
Fairfield	40	14.5	769	16.7	26	12.6	129	17.4	13	20.0	415	21.2	1	20.0	225	11.9
Trumbull	18	6.5	297	6.5	14	6.8	55	7.4	3	4.6	65	3.3	1	20.0	177	9.3
Easton	9	3.3	67	1.5	6	2.9	22	3.0	3	4.6	45	2.3	-		-	
Monroe	6	2.2	48	1.0	5	2.4	8	1.1	1	1.5	40	2.0	-		-	
Shelton	1	0.4	27	0.6	-		-		1	1.5	27	1.4	-		-	
Milford	10	3.6	43	0.9	9	4.4	27	3.6	1	1.5	16	0.8	-		-	
Bridgeport SMSA	226	81.9	4,023	87.6	167	81.1	588	79.4	54	83.1	1,541	78.8	5	100.0	1,895	100.0
New Haven SMSA	5	1.8	45	1.0	4	1.9	17	2.3	1	1.5	28	1.4	-		-	
Other towns in which CNB operates offices 1/	13	4.7	254	5.5	8	3.9	33	4.5	5	7.7	221	11.3	-		-	
Other Connecticut	18	6.5	155	3.4	15	7.3	58	7.8	3	4.6	97	5.0	-		-	
New York	7	2.5	87	1.9	5	2.4	18	2.4	2	3.1	70	3.6	-		-	
All Other Areas	7	2.5	29	0.6	7	3.4	29	3.9	-		-		-		-	
Total	276	100.0	$4,592	100.0	206	100.0	$741	100.0	65	100.0	$1,956	100.0	5	100.0	$1,895	100.0

1/ Westport, Norwalk, Darien, New Canaan, Ridgefield, Danbury, Bethel, Brookfield, New Fairfield, New Milford, Southbury, Waterbury, Wolcott, Prospect, Ansonia and Derby.

Note: Due to rounding figures may not add to totals.

SOURCE: Defendants' Answer to Plaintiff's Interrogatory Number 9B.

GX-38

CONNECTICUT NATIONAL BANK
Main Office
Real Estate Loans
September 30, 1971
(Dollar amounts in thousands)

	Total: All Class Sizes				$1 - $10,000				$10,001 - $100,000				$100,001 & over			
	NUMBER		VALUE		NUMBER		VALUE		NUMBER		VALUE		NUMBER		VALUE	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
Bridgeport	523	21.2	$7,224	19.4	345	23.7	$1,433	21.1	167	17.2	$3,631	16.2	11	28.9	$2,160	26.7
Stratford	252	10.2	2,159	5.8	176	12.1	814	12.0	76	7.8	1,345	6.0	-		-	
Fairfield	194	7.9	4,419	11.9	91	6.2	435	6.4	98	10.1	2,699	12.1	5	13.2	1,285	15.9
Trumbull	201	8.1	2,244	6.0	115	7.9	444	6.5	85	8.7	1,669	7.5	1	2.6	131	1.6
Easton	32	1.3	614	1.6	11	0.8	50	0.7	21	2.2	564	2.5	-		-	
Monroe	68	2.8	664	1.8	46	3.2	196	2.9	22	2.3	468	2.1	-		-	
Shelton	140	5.7	1,523	4.1	100	6.9	394	5.8	38	3.9	597	2.7	2	5.3	531	6.6
Milford	177	7.2	2,205	5.9	119	8.2	596	8.8	55	5.7	1,041	4.7	3	7.9	568	7.0
Bridgeport SMSA	1,587	64.3	21,052	56.5	1,003	68.8	4,362	64.2	562	57.8	12,014	53.7	22	57.9	4,675	57.8
New Haven SMSA	27	1.1	276	0.7	18	1.2	83	1.2	9	0.9	194	0.9	-		-	
Other towns in which CNB operates offices 1/	501	20.3	9,056	24.3	284	19.5	1,521	22.4	205	21.1	4,814	21.5	12	31.6	2,721	33.6
Other Connecticut	297	12.0	5,739	15.4	133	9.1	741	10.9	160	16.5	4,304	19.2	4	10.5	695	8.6
New York	31	1.3	736	2.0	7	0.5	45	0.7	24	2.5	691	3.1	-		-	
All Other Areas	24	1.0	411	1.1	12	0.8	44	0.6	12	1.2	367	1.6	-		-	
Total	2,467	100.0	$37,270	100.0	1,457	100.0	$6,796	100.0	972	100.0	$22,384	100.0	38	100.0	$8,091	100.0

1/ Westport, Norwalk, Darien, New Canaan, Ridgefield, Danbury, Bethel, Brookfield, New Fairfield, New Milford, Southbury, Waterbury, Wolcott, Prospect, Ansonia and Derby.

Note: Due to rounding figures may not add to totals.

SOURCE: Defendants' Answer to Plaintiff's Interrogatory Number 9B.

GX-39

CONNECTICUT NATIONAL BANK
FAIRFIELD OFFICE
IPC Deposits and Loans as of September 30, 1971
(dollars in thousands)

	Total Deposits		Total Loans	
	Value	%	Value	%
Fairfield	$8,816	77.1	$4,456	63.1
Bridgeport	593	5.2	858	12.1
Trumbull	54	0.5	149	2.1
Easton	56	0.5	80	1.1
Weston	-	-	2	x
Westport	369	3.2	216	3.1
All Adjacent Towns	$1,072	9.4	$1,305	18.5
Remainder of Bridgeport SMSA	124	1.1	421	6.0
ALL OTHER	1,416	12.4	885	12.5
TOTAL	$11,428	100.0	$7,067	100.0

x Less than 0.05 %.

Note: Due to rounding figures may not add to totals.

Source: Defendants' Answer to Plaintiff's Interrogatories Numbers 7 and 9.

GX-40

CONNECTICUT NATIONAL BANK
TRUMBULL OFFICE
IPC Deposits and Loans as of September 30, 1971
(dollars in thousands)

	Total Deposits		Total Loans	
	Value	%	Value	%
Trumbull	$4,303	83.1	$ 886	78.8
Bridgeport	302	5.8	14	1.2
Stratford	7	0.1	1	0.1
Fairfield	24	0.5	-	-
Easton	14	0.3	33	2.9
Monroe	99	1.9	58	5.2
Shelton	175	3.4	40	3.6
All Adjacent Towns	621	12.0	146	13.0
Remainder of Bridgeport SMSA	25	0.5	-	-
ALL OTHER	226	4.4	94	8.4
TOTAL	$5,175	100.0	$1,125	100.0

Note: Due to rounding figures may not add to totals.

SOURCE: Defendants' Answer to Plaintiff's Interrogatories Numbers 7 and 9.

GX-41

CONNECTICUT NATIONAL BANK
SHELTON OFFICE
IPC Deposits and Loans as of September 30, 1971
(dollars in thousands)

	Total Deposits		Total Loans	
	Value	%	Value	%
Shelton	$10,060	76.6	$2,477	59.4
Derby	1,075	8.2	331	7.9
Ansonia	478	3.6	252	6.0
Seymour	448	3.4	199	4.8
Monroe	107	0.8	89	2.1
Trumbull	64	0.5	139	3.3
Stratford	22	0.2	53	1.3
Orange	47	0.4	29	0.7
Milford	13	0.1	55	1.3
All Adjacent Towns	2,254	17.2	1,147	27.5
Remainder of Bridgeport SMSA	86	0.7	522	12.5
ALL OTHER	731	5.6	25	0.6
TOTAL	$13,130	100.0	$4,171	100.0

Note: Due to rounding figures may not add to totals.

Source: Defendants' Answer to Plaintiff's Interrogatories Numbers 7 and 9.

GX-42

CONNECTICUT NATIONAL BANK
STRATFORD OFFICE
IPC Deposits and Loans as of September 30, 1971
(dollars in thousands)

	Total Deposits		Total Loans	
	Value	%	Value	%
Stratford	$4,987	84.5	$ 659	76.4
Bridgeport	157	2.7	23	2.7
Trumbull	68	1.2	79	9.2
Shelton	189	3.2	24	2.8
Milford	202	3.4	34	3.9
All Adjacent Towns	616	10.4	160	18.5
Remainder of Bridgeport SMSA	108	1.8	14	1.6
ALL OTHER	189	3.2	31	3.6
TOTAL	$5,901	100.0	$ 863	100.0

Note: Due to rounding figures may not add to total.

SOURCE: Defendants' Answer to Plaintiff's Interrogatories Numbers 7 and 9

GX-43

CONNECTICUT NATIONAL BANK
ORANGE OFFICE
IPC Deposits and Loans as of September 30, 1971
(dollars in thousands)

	Total Deposits		Total Loans	
	Value	%	Value	%
Orange	$3,582	52.6	$1,394	36.3
Milford	1,167	17.1	515	13.4
West Haven	935	13.7	542	14.1
New Haven	261	3.8	312	8.1
Woodbridge	75	1.1	202	5.3
Ansonia	21	0.3	41	1.1
Derby	45	0.7	16	0.4
Shelton	7	0.1	67	1.7
All Adjacent Towns	2,511	36.9	1,695	44.1
Remainder of New Haven SMSA	126	1.9	271	7.1
ALL OTHER	591	8.7	482	12.5
TOTAL	$6,810	100.0	$3,842	100.0

Note: Due to rounding figures may not add to totals.

Source: Defendants' Answer to Plaintiff's Interrogatories Numbers 7 and 9.

GX-44

CONNECTICUT NATIONAL BANK
MILFORD OFFICE
IPC Deposits and Loans as of September 30, 1971
(dollars in thousands)

	Total deposits		Total Loans	
	Value	%	Value	%
Milford	$7,303	87.4	$3,154	74.0
Orange	112	1.3	35	0.8
West Haven	162	1.9	76	1.8
Shelton	30	0.4	81	1.9
Stratford	138	1.7	158	3.7
All Adjacent Towns	442	5.3	350	8.2
Remainder of Bridgeport SMSA	223	2.7	301	7.1
Remainder of New Haven SMSA	62	0.7	157	3.7
ALL OTHER	326	3.9	301	7.1
TOTAL	$8,356	100.0	$4,263	100.0

Note: Due to rounding figures may not add to totals.

Source: Defendants' Answer to Plaintiff's Interrogatories Numbers 7 and 9.

GX-45

CONNECTICUT NATIONAL BANK
ANSONIA OFFICE
IPC Deposits and Loans as of September 30, 1971
(dollars in thousands)

	Total Deposits		Total Loans	
	Value	%	Value	%
Ansonia	$2,343	44.1	$2,307	36.7
Derby	1,558	29.3	964	15.3
Woodbridge	38	0.7	71	1.1
Seymour	297	5.6	718	11.4
Shelton	310	5.8	740	11.8
All Adjacent Towns	2,203	41.5	2,493	39.7
Remainder of Bridgeport SMSA	39	0.7	701	11.2
Remainder of New Haven SMSA	76	1.4	324	5.2
ALL OTHER	650	12.2	458	7.3
TOTAL	$5,311	100.0	$6,283	100.0

Note: Due to rounding figures may not add to totals.

SOURCE: Defendants' Answer to Plaintiff's Interrogatories Numbers 7 and 9.

GX-46

CONNECTICUT NATIONAL BANK
PROSPECT OFFICE
IPC Deposits and Loans as of September 30, 1971
(dollars in thousands)

	Total Deposits		Total Loans	
	Value	%	Value	%
Prospect	$ 872	60.9	$ 336	67.2
Waterbury	384	26.8	101	20.2
Naugatuck	67	4.7	39	7.8
Bethany	45	3.1	1	0.2
Cheshire	25	1.7	2	0.4
All Adjacent Towns	521	36.4	143	28.6
Remainder of Waterbury SMSA	13	0.9	17	3.4
Remainder of New Haven SMSA	2	0.1	2	0.4
ALL OTHER	23	1.6	2	0.4
TOTAL	$1,431	100.0	$ 500	100.0

Note: Due to rounding figures may not add to totals.

Source: Defendants' Answer to Plaintiff's Interrogatories Numbers 7 and 9.

GX-47

CONNECTICUT NATIONAL BANK
WATERBURY OFFICE
IPC Deposits and Loans as of September 30, 1971
(dollars in thousands)

	Total Deposits /		Total Loans	
	Value	%	Value	%
Waterbury	$15,079	81.6	$6,169	62.6
Naugatuck	434	2.3	217	2.2
Beacon Falls	9	0.1	11	0.1
Cheshire	121	0.7	96	1.0
Middlebury	314	1.7	211	2.1
Prospect	10	0.1	148	1.5
Wolcott	171	0.9	535	5.4
Thomaston	27	0.2	50	0.5
Watertown	509	2.8	519	5.3
Woodbury	160	0.9	224	2.3
Waterbury SMSA	16,835	91.1	8,180	83.0
Bridgeport SMSA	49	0.3	146	1.5
New Haven SMSA	118	0.6	132	1.3
ALL OTHER	1,472	8.0	1,393	14.1
TOTAL	$18,473	100.0	$9,851	100.0

Note: Due to rounding figures may not add to totals.

SOURCE: Defendants' Answer to Plaintiff's Interrogatories Numbers 7 and 9.

GX-48

FIRST NEW HAVEN NATIONAL BANK
Main Office
IPC Demand Deposits
September 30, 1971
(Dollar amounts in thousands)

	Total: All Class Sizes				$1 - $10,000				$10,001 - $100,000				$100,001 & over			
	NUMBER		VALUE		NUMBER		VALUE		NUMBER		VALUE		NUMBER		VALUE	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
New Haven	6,721	51.4	$32,305	62.9	6,392	51.2	$5,729	56.0	285	55.1	$8,019	52.7	44	55.7	$18,527	71.5
North Haven	364	2.8	1,402	2.7	346	2.8	396	3.9	15	2.9	564	3.7	3	3.8	442	1.7
East Haven	422	3.2	328	0.6	414	3.3	191	1.9	8	1.5	137	0.9	-		-	
West Haven	1,153	8.8	2,055	4.0	1,129	9.0	568	5.5	20	3.9	541	3.6	4	5.1	946	3.6
Woodbridge	267	2.0	635	1.2	256	2.0	285	2.8	11	2.1	350	2.3	-		-	
Hamden	1,231	9.4	2,512	4.9	1,188	9.5	965	9.4	39	7.5	903	5.9	4	5.1	643	2.5
Orange	266	2.0	429	0.8	261	2.1	256	2.5	4	0.8	69	0.5	1	1.3	104	0.4
Bethany	62	0.5	63	0.1	60	0.5	38	0.4	2	0.4	25	0.2	-		-	
Branford	378	2.9	822	1.6	365	2.9	307	3.0	12	2.3	266	1.7	1	1.3	248	1.0
North Branford	139	1.1	102	0.2	139	1.1	102	1.0	-		-		-		-	
Guilford	128	1.0	149	0.3	126	1.0	122	1.2	2	0.4	27	0.2	-		-	
New Haven SMSA	11,131	85.1	40,802	79.4	10,676	85.5	8,989	87.4	398	77.0	10,901	71.6	57	72.2	20,910	80.7
Milford	215	1.6	423	0.8	206	1.7	149	1.5	9	1.7	274	1.8	-		-	
Remainder of Bridgeport SMSA	162	1.2	478	0.9	151	1.2	106	1.0	10	1.9	253	1.7	1	1.3	118	0.5
Other Towns in which FNHNB operates offices 1/	162	1.2	217	0.4	158	1.3	57	0.6	4	0.8	160	1.1	-		-	
Other Connecticut	467	3.6	1,425	2.8	442	3.5	399	3.9	25	4.8	1,028	6.7	-		-	
New York	115	0.9	2,940	5.7	78	0.6	113	1.1	30	5.8	1,151	7.6	7	8.9	1,676	6.5
All Other Areas	834	6.4	5,132	10.0	779	6.2	467	4.5	41	7.9	1,450	9.5	14	17.7	3,215	12.4
Total	13,086	100.0	$51,417	100.0	12,490	100.0	$10,280	100.0	517	100.0	$15,217	100.0	79	100.0	$25,920	100.0

1/ Ansonia, Derby and Wallingford.

Note: Due to rounding figures may not add to totals.

SOURCE: Defendants' Answer to Plaintiff's Interrogatory Number 8B.

GX-49

FIRST NEW HAVEN NATIONAL BANK
Main Office
IPC Time and Savings Deposits
September 30, 1971
(Dollar amounts in thousands)

	Total: All Class Sizes				$1 - $10,000				$10,001 - $100,000				$100,001 & over			
	NUMBER		VALUE		NUMBER		VALUE		NUMBER		VALUE		NUMBER		VALUE	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
New Haven	6,695	53.8	$19,863	52.6	6,365	53.7	$6,640	55.5	308	55.5	$6,421	54.0	22	64.7	$6,802	48.9
North Haven	255	2.1	479	1.3	241	2.0	244	2.0	14	2.5	235	2.0	-		-	
East Haven	490	3.9	842	2.2	474	4.0	420	3.5	16	2.9	422	3.6	-		-	
West Haven	1,145	9.2	1,918	5.1	1,095	9.2	1,161	9.7	50	9.0	757	6.4	-		-	
Woodbridge	168	1.4	788	2.1	153	1.3	178	1.5	13	2.3	348	2.9	2	5.9	263	1.9
Hamden	1,086	8.7	3,681	9.7	1,024	8.6	1,247	10.4	59	10.6	1,928	16.2	3	8.8	505	3.6
Orange	210	1.7	666	1.8	197	1.7	220	1.8	12	2.2	276	2.3	1	2.9	170	1.2
Bethany	64	0.5	86	0.2	63	0.5	75	0.6	1	0.2	11	0.1	-		-	
Branford	325	2.6	1,122	3.0	307	2.6	314	2.6	15	2.7	268	2.3	3	8.8	550	4.0
North Branford	124	1.0	208	0.6	116	1.0	93	0.8	8	1.4	115	1.0	-		-	
Guilford	83	0.7	107	0.3	81	0.7	60	0.5	2	0.4	47	0.4	-		-	
New Haven SMSA	10,645	85.6	29,770	78.8	10,116	85.4	10,652	89.0	498	89.7	10,828	91.1	31	91.2	8,290	59.6
Milford	209	1.7	303	0.8	202	1.7	200	1.7	7	1.3	102	0.9	-		-	
Remainder of Bridgeport SMSA	99	0.8	182	0.5	94	0.8	109	0.9	5	0.9	73	0.6	-		-	
Other Towns in which FNHNB operates offices 1/	150	1.2	149	0.4	147	1.2	107	0.9	3	0.5	42	0.4	-		-	
Other Connecticut	397	3.2	6,110	16.2	381	3.2	404	3.4	14	2.5	208	1.8	2 2/	5.9	5,500 2/	39.5
New York	59	0.5	127	0.3	57	0.5	67	0.6	2	0.4	60	0.5	-		-	
All Other Areas	874	7.0	1,127	3.0	847	7.2	424	3.5	26	4.7	572	4.8	1	2.9	130	0.9
Total	12,433	100.0	$37,768	100.0	11,844	100.0	$11,963	100.0	555	100.0	$11,885	100.0	34	100.0	$13,920	100.0

1/ Ansonia, Derby and Wallingford.
2/ All Hartford.

Note: Due to rounding figures may not add to totals.

SOURCE: Defendants' Answer to Plaintiff's Interrogatory Number 88.

GX-50

FIRST NEW HAVEN NATIONAL BANK
Main Office
Commercial and Industrial Loans
September 30, 1971
(Dollar amounts in thousands)

	Total: All Class Sizes				$1 - $10,000				$10,001 - $100,000				$100,001 & over			
	NUMBER		VALUE		NUMBER		VALUE		NUMBER		VALUE		NUMBER		VALUE	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
New Haven	350	40.2	$17,505	49.9	203	36.6	$825	37.3	114	44.5	$3,640	43.0	33	54.1	$13,039	53.5
North Haven	28	3.2	3,166	9.0	11	2.0	32	1.4	13	5.1	571	6.7	4	6.6	2,563	10.5
East Haven	43	4.9	397	1.1	32	5.8	112	5.1	11	4.3	284	3.4	-		-	
West Haven	98	11.3	1,647	4.7	75	13.5	272	12.3	21	8.2	726	8.6	2	3.3	650	2.7
Woodbridge	11	1.3	207	0.6	7	1.3	34	1.5	4	1.6	174	2.1	-		-	
Hamden	83	9.5	2,663	7.6	60	10.8	216	9.8	19	7.4	676	8.0	4	6.6	1,771	7.3
Orange	50	5.7	521	2.3	32	5.8	120	5.4	17	6.6	325	3.8	1	1.6	376	1.5
Bethany	7	0.8	43	0.1	6	1.1	23	1.0	1	0.4	20	0.2	-		-	
Branford	61	7.0	2,335	6.7	43	7.8	191	8.6	15	5.9	417	4.9	3	4.9	1,727	7.1
North Branford	6	0.7	62	0.2	3	0.5	12	0.5	3	1.2	50	0.6	-		-	
Guilford	17	2.0	204	0.6	16	2.9	61	2.8	-		-		1	1.6	140	0.6
New Haven SMSA	754	86.6	29,050	82.9	488	88.1	1,898	85.7	218	85.2	6,883	81.3	48	78.7	20,269	83.1
Milford	55	6.3	1,208	3.4	34	6.1	171	7.7	18	7.0	597	7.1	3	4.9	440	1.8
Remainder of Bridgeport SMSA	11	0.1	2,110	6.0	4	0.7	18	0.8	4	1.6	377	4.5	3	4.9	1,714	7.0
Other Towns in which FNHNB operates offices 1/	23	2.6	514	1.5	16	2.9	86	3.9	5	2.0	185	2.2	2	3.3	243	1.0
Other Connecticut	20	2.3	1,833	5.2	9	1.6	33	1.5	7	2.7	222	2.6	4	6.6	1,578	6.5
New York	3	0.3	162	0.5	1	0.2	2	0.1	1	0.4	20	0.2	1	1.6	140	0.6
All Other Areas	5	0.6	183	0.5	2	0.4	6	0.3	3	1.2	177	2.1	-		-	
Total	871	100.0	$35,059	100.0	554	100.0	$2,214	100.0	256	100.0	$8,461	100.0	61	100.0	$24,384	100.0

1/ Ansonia, Derby and Wallingford.

Note: Due to rounding figures may not add to totals.

SOURCE: Defendants' Answer to Plaintiff's Interrogatory Number 10B.

GX-51

FIRST NEW HAVEN NATIONAL BANK
Main Office
Installment Loans
September 30, 1971
(Dollar amounts in thousands)

	Total: All Class Sizes				$1 - $10,000				$10,001 - $100,000				$100,001 & over			
	NUMBER		VALUE		NUMBER		VALUE		NUMBER		VALUE		NUMBER		VALUE	
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
New Haven	4,042	20.4	$5,180	21.1	4,035	20.4	$5,062	21.2	7	21.2	$118	17.9	-		-	
North Haven	571	2.9	851	3.5	570	2.9	794	3.3	1	3.0	56	8.5	-		-	
East Haven	941	4.7	1,167	4.8	939	4.7	1,132	4.7	2	6.1	35	5.3	-		-	
West Haven	2,154	10.8	2,759	11.2	2,153	10.9	2,742	11.5	1	3.0	18	2.7	-		-	
Woodbridge	177	0.9	306	1.2	176	0.9	294	1.2	1	3.0	12	1.8	-		-	
Hamden	1,396	7.0	1,985	8.1	1,394	7.0	1,959	8.2	2	6.1	26	3.9	-		-	
Orange	286	1.4	550	2.2	281	1.4	486	2.0	5	15.2	64	9.7	-		-	
Bethany	102	0.5	133	0.5	102	0.5	133	0.6	-		-		-		-	
Branford	552	2.8	700	2.9	552	2.8	700	2.9	-		-		-		-	
North Branford	239	1.2	286	1.2	239	1.2	286	1.2	-		-		-		-	
Guilford	179	0.9	241	1.0	177	0.9	216	0.9	2	6.1	25	3.8	-		-	
New Haven SMSA	10,639	53.7	14,158	57.7	10,618	53.6	13,804	57.8	21	63.6	354	53.7	-		-	
Milford	1,335	6.7	1,708	7.0	1,335	6.7	1,708	7.1	-		-		-		-	
Remainder of Bridgeport SMSA	1,381	7.0	1,968	8.0	1,379	7.0	1,926	8.1	2	6.1	41	6.2	-		-	
Other Towns in which FNBNH operates offices 1/	923	4.6	1,289	5.3	923	4.7	1,289	5.4	-		-		-		-	
Other Connecticut	4,573	23.0	4,498	18.3	4,564	23.0	4,246	17.8	9	27.3	253	38.4	-		-	
New York	205	1.0	203	0.8	204	1.0	192	0.8	1	3.0	11	1.7	-		-	
All Other Areas	804	4.0	728	3.0	804	4.1	728	3.0	-		-		-		-	
Total	19,860	100.0	$24,552	100.0	19,827	100.0	$23,893	100.0	33	100.0	$659	100.0	-		-	

1/ Ansonia, Derby and Wallingford.

Note: Due to rounding figures may not add to totals.

SOURCE: Defendants' Answer to Plaintiff's Interrogatory Number 102.

GX-52

FIRST NEW HAVEN NATIONAL BANK
Main Office
Single Payment Loans
September 30, 1971
(Dollar amounts in thousands)

	Total: All Class Sizes				$1 - $10,000				$10,001	
	NUMBER		VALUE		NUMBER		VALUE		NUMBER	
	No.	%	Amount	%	No.	%	Amount	%	No.	%
New Haven	921	26.9	$4,515	25.9	817	26.1	$1,922	25.1	101	35.9
North Haven	136	4.0	707	4.0	125	4.0	320	4.2	11	3.9
East Haven	167	4.9	418	2.4	163	5.2	348	4.6	4	1.4
West Haven	389	11.4	1,253	7.2	373	11.9	864	11.3	16	5.7
Woodbridge	105	3.1	1,017	5.8	85	2.7	308	4.0	20	7.1
Hamden	354	10.3	1,598	9.2	323	10.3	751	9.8	30	10.7
Orange	209	6.1	768	4.4	198	6.3	526	6.9	11	3.9
Bethany	29	0.8	77	0.4	28	0.9	63	0.8	1	0.4
Branford	242	7.1	915	5.2	230	7.3	518	6.8	12	4.3
North Branford	36	1.1	152	0.9	32	1.0	75	1.0	4	1.4
Guilford	94	2.7	319	1.8	86	2.7	186	2.4	8	2.8
New Haven SMSA	2,682	78.4	11,739	67.2	2,460	78.5	5,881	76.9	218	77.6
Milford	395	11.5	1,796	10.3	368	11.7	972	12.7	26	9.3
Remainder of Bridgeport SMSA	32	0.9	644	3.7	29	0.9	74	1.0	2	0.7
Other Towns in which FNHNB operates offices 1/	68	2.0	762	4.4	60	1.9	138	1.8	7	2.5
Other Connecticut	202	5.9	2,106	12.1	182	5.8	475	6.2	18	6.4
New York	13	0.4	166	1.0	9	0.3	34	0.4	4	1.4
All Other Areas	30	0.9	253	1.4	24	0.8	74	1.0	6	2.1
Total	3,422	100.0	$17,464	100.0	3,132	100.0	$7,648	100.0	281	100.0

1/ Ansonia, Derby and Wallingford.

Note: Due to rounding figures may not add to totals.

Source: Defendants' Answer to Plaintiff's Interrogatory Number 10B.

Note: Due to rounding figures may not add to totals.
SOURCE: Defendants' Answer to Plaintiff's Interrogatory Number 10B.

FIRST NEW HAVEN NATIONAL BANK
Main Office
Single Payment Loans
September 30, 1971
(Dollar amounts in thousands)

Total: All Class Sizes				$1 - $10,000				$10,001 - $100,000				$100,001 & over			
NUMBER		VALUE		NUMBER		VALUE		NUMBER		VALUE		NUMBER		VALUE	
No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
921	26.9	$4,515	25.9	817	26.1	$1,922	25.1	101	35.9	$2,204	32.3	3	33.3	$389	13.0
136	4.0	707	4.0	125	4.0	320	4.2	11	3.9	387	5.7	-		-	
167	4.9	418	2.4	163	5.2	348	4.6	4	1.4	70	1.0	-		-	
389	11.4	1,253	7.2	373	11.9	864	11.3	16	5.7	389	5.7	-		-	
105	3.1	1,017	5.8	85	2.7	308	4.0	20	7.1	709	10.4	-		-	
354	10.3	1,598	9.2	323	10.3	751	9.8	30	10.7	682	10.0	1	11.1	165	5.5
209	6.1	768	4.4	198	6.3	526	6.9	11	3.9	242	3.5	-		-	
29	0.8	77	0.4	28	0.9	63	0.8	1	0.4	13	0.2	-		-	
242	7.1	915	5.2	230	7.3	518	6.8	12	4.3	397	5.8	-		-	
36	1.1	152	0.9	32	1.0	75	1.0	4	1.4	77	1.1	-		-	
94	2.7	319	1.8	86	2.7	186	2.4	8	2.8	133	1.9	-		-	
682	78.4	11,739	67.2	2,460	78.5	5,881	76.9	218	77.6	5,303	77.7	4	44.4	554	18.5
395	11.5	1,796	10.3	368	11.7	972	12.7	26	9.3	549	8.0	1	11.1	275	9.2
32	0.9	644	3.7	29	0.9	74	1.0	2	0.7	105	1.5	1		465	15.6
68	2.0	762	4.4	60	1.9	138	1.8	7	2.5	160	2.3	1	11.1	464	15.5
202	5.9	2,106	12.1	182	5.8	475	6.2	18	6.4	400	5.9	2	22.2	1,231	41.2
13	0.4	166	1.0	9	0.3	34	0.4	4	1.4	132	1.9	-		-	
30	0.9	253	1.4	24	0.8	74	1.0	6	2.1	179	2.6	-		-	
422	100.0	$17,464	100.0	3,132	100.0	$7,648	100.0	281	100.0	$6,828	100.0	9	100.0	$2,989	100.0

gford.

s may not add to totals.

o Plaintiff's Interrogatory Number 10B.

GX-53

FIRST NEW HAVEN NATIONAL BANK
Main Office
Real Estate Loans
September 30, 1971
(Dollar amounts in thousands)

	Total: All Class Sizes				$1 - $10,000				$10,001 - $100,		
	NUMBER		VALUE		NUMBER		VALUE		NUMBER		
	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount
ew Haven	587	20.6	$13,614	22.8	191	19.8	$1,048	18.9	381	20.8	$9,209
orth Haven	170	6.0	4,041	6.8	31	3.2	169	3.0	136	7.4	3,386
ast Haven	162	5.7	2,345	3.9	78	8.1	424	7.7	82	4.5	1,374
est Haven	350	12.3	6,129	10.3	147	15.2	742	13.4	193	10.5	4,074
oodbridge	115	4.0	3,018	5.1	18	1.9	101	1.8	96	5.2	2,774
amden	286	10.0	7,086	11.9	83	8.6	452	8.2	195	10.6	4,562
rang e	133	4.7	2,868	4.8	18	1.9	92	1.7	113	6.2	2,434
ethany	46	1.6	968	1.6	7	0.7	33	0.6	39	2.1	93
ranford	156	5.5	2,521	4.2	54	5.6	292	5.3	101	5.5	2,111
orth Branford	59	2.1	840	1.4	14	1.5	100	1.8	45	2.5	746
uilford	82	2.9	1,746	2.9	12	1.2	51	0.9	70	3.8	1,695
New Haven SMSA	2,146	75.2	45,176	75.8	653	67.7	3,504	63.2	1,451	79.2	33,294
ilford	447	15.7	7,140	12.0	262	27.2	1,768	31.9	178	9.7	3,957
emainder of Bridgeport SMSA	21	0.7	722	1.2	3	0.3	24	0.4	17	0.9	397
ther Towns in which FNHNB operates offices 1/	66	2.3	2,520	4.2	22	2.3	108	1.9	39	2.1	819
ther Connecticut	175	6.1	4,066	6.8	25	2.6	138	2.5	148	8.1	3,523
ew York	-		-		-		-		-		-
ll Other Areas	-		-		-		-		-		-
otal	2,855	100.0	$59,625	100.0	965	100.0	$5,542	100.0	1,833	100.0	$41,98

1/ Ansonia, Derby and Wallingford.

ote: Due to rounding figures may not add to totals.

ource: Defendants' Answer to Plaintiff's Interrogatory Number 10B.

FIRST NEW HAVEN NATIONAL BANK
Main Office
Real Estate Loans
September 30, 1971
(Dollar amounts in thousands)

Total: All Class Sizes				$1 - $10,000				$10,001 - $100,000				$100,001 & over			
NUMBER		VALUE		NUMBER		VALUE		NUMBER		VALUE		NUMBER		VALUE	
No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%	No.	%	Amount	%
587	20.6	$13,614	22.8	191	19.8	$1,048	18.9	381	20.8	$9,209	21.9	15	26.3	$3,357	27.8
170	6.0	4,041	6.8	31	3.2	169	3.0	136	7.4	3,386	8.1	3	5.3	486	4.0
162	5.7	2,345	3.9	78	8.1	424	7.7	82	4.5	1,374	3.3	2	3.5	547	4.5
350	12.3	6,129	10.3	147	15.2	742	13.4	193	10.5	4,074	9.7	10	17.5	1,314	10.9
115	4.0	3,018	5.1	18	1.9	101	1.8	96	5.2	2,774	6.6	1	1.8	143	1.2
286	10.0	7,086	11.9	83	8.6	452	8.2	195	10.6	4,562	10.9	8	14.0	2,072	17.1
133	4.7	2,868	4.8	18	1.9	92	1.7	113	6.2	2,434	5.8	2	3.5	343	2.8
46	1.6	968	1.6	7	0.7	33	0.6	39	2.1	935	2.2	-		-	
156	5.5	2,521	4.2	54	5.6	292	5.3	101	5.5	2,111	5.0	1	1.8	119	1.0
59	2.1	840	1.4	14	1.5	100	1.8	45	2.5	740	1.8	-		-	
82	2.9	1,746	2.9	12	1.2	51	0.9	70	3.8	1,695	4.0	-		-	
146	75.2	45,176	75.8	653	67.7	3,504	63.2	1,451	79.2	33,294	79.3	42	73.7	8,381	69.3
447	15.7	7,140	12.0	262	27.2	1,768	31.9	178	9.7	3,957	9.4	7	12.3	1,414	11.7
21	0.7	722	1.2	3	0.3	24	0.4	17	0.9	397	0.9	1	1.8	301	2.5
66	2.3	2,520	4.2	22	2.3	108	1.9	39	2.1	819	2.0	5	8.8	1,593	13.2
175	6.1	4,066	6.8	25	2.6	138	2.5	148	8.1	3,522	8.4	2	3.5	405	3.3
-		-		-		-		-		-		-		-	
-		-		-		-		-		-		-		-	
855	100.0	$59,625	100.0	965	100.0	$5,542	100.0	1,833	100.0	$41,989	100.0	57	100.0	$12,095	100.0

ford.

may not add to totals.

Plaintiff's Interrogatory Number 10B.

GX-54

FIRST NEW HAVEN NATIONAL BANK
EAST HAVEN OFFICE
IPC Deposits and Loans as of September 30, 1971
(dollars in thousands)

	Total Deposits		Total Loans	
	Value	%	Value	%
East Haven	$ 5,177	62.9	$ 756	56.5
Branford	1,003	12.2	112	8.4
North Branford	133	1.6	37	2.8
North Haven	57	0.7	21	1.6
New Haven	1,285	15.6	275	20.6
All Adjacent Towns	2,478	30.1	445	33.3
Remainder of New Haven SMSA	221	2.7	82	6.1
ALL OTHER	355	4.3	54	4.0
TOTAL	$ 8,233	100.0	$1,337	100.0

Note: Due to rounding figures may not add to totals.

SOURCE: Defendants' Answer to Plaintiff's Interrogatories Numbers 8 and 10.

GX-55

FIRST NEW HAVEN NATIONAL BANK
WEST HAVEN OFFICE
IPC Deposits and Loans as of September 30, 1971
(dollars in thousands)

	Total Deposits		Total Loans	
	Value	%	Value	%
West Haven	$10,981	77.2	$ 1,403	69.8
New Haven	1,063	7.5	170	8.5
Woodbridge	114	0.8	35	1.7
Orange	327	2.3	92	4.6
Milford	457	3.2	65	3.2
All Adjacent Towns	1,961	13.8	362	18.0
Remainder of New Haven SMSA	682	4.8	145	7.2
ALL OTHER	606	4.3	101	5.0
TOTAL	$14,230	100.0	$ 2,011	100.0

Note: Due to rounding figures may not add to totals

SOURCE: Defendants' Answer to Plaintiff's Interrogatories Numbers 8 and 10.

GX-56

FIRST NEW HAVEN NATIONAL BANK
HAMDEN OFFICE
IPC Deposits and Loans as of September 30, 1971
(dollars in thousands)

	Total Deposits		Total Loans	
	Value	%	Value	%
Hamden	$7,155	60.7	$ 780	44.5
New Haven	1,200	10.2	192	10.9
North Haven	1,431	12.1	192	10.9
Wallingford	101	0.9	57	3.2
Cheshire	296	2.5	89	5.1
Bethany	135	1.1	16	0.9
Woodbridge	185	1.6	54	3.1
All Adjacent Towns	$3,348	28.4	600	34.2
Remainder of New Haven SMSA	357	3.0	222	12.7
All OTHER	922	7.8	152	8.7
TOTAL	$11,782	100.0	$1,754	100.0

Note: Due to rounding figures may not add to totals.

Source: Defendants' Answer to Plaintiff's Interrogatories Numbers 8 and 10.

GX-57

FIRST NEW HAVEN NATIONAL BANK
ORANGE OFFICE
IPC Deposits and Loans as of September 30, 1971
(dollars in thousands)

	Total Deposits		Total Loans	
	Value	%	Value	%
Orange	$3,681	60.5	$ 848	55.6
Milford	285	4.7	78	5.1
West Haven	638	10.5	179	11.7
New Haven	389	6.4	81	5.3
Woodbridge	222	3.6	30	2.0
Ansonia	13	0.2	25	1.6
Derby	17	0.3	12	0.8
Shelton	7	0.1	11	0.7
All Adjacent Towns	1,571	25.8	416	27.3
Remainder New Haven SMSA	395	6.5	105	6.9
ALL OTHER	437	7.2	157	10.3
TOTAL	$6,084	100.0	$1,526	100.0

Note: Due to rounding figures may not add to totals

Source: Defendants' Answer to Plaintiff's Interrogatories
Numbers 8 and 10

GX-58

FIRST NEW HAVEN NATIONAL BANK
MILFORD OFFICE
IPC Deposits and Loans as of September 30, 1971
(dollars in thousands)

	Total Deposits		Total Loans	
	Value	%	Value	%
Milford	$17,238	87.1	$ 756	67.0
Orange	539	2.7	59	5.2
West Haven	160	0.8	29	2.6
Shelton	120	0.6	1	0.1
Stratford	98	0.5	27	2.4
All Adjacent Towns	917	4.6	116	10.3
Remainder of Bridgeport SMSA	202	1.0	31	2.7
Remainder of New Haven SMSA	442	2.2	94	8.3
ALL OTHER	993	5.0	131	11.6
TOTAL	$19,792	100.0	$1,128	100.0

Note: Due to rounding figures may not add to totals.

SOURCE: Defendants' Answer to Plaintiff's Interrogatories Numbers 8 and 10.

GX-59

FIRST NEW HAVEN NATIONAL BANK
DERBY OFFICE
IPC Deposits and Loans as of September 30, 1971
(dollars in thousands)

	Total Deposits		Total Loans	
	Value	%	Value	%
Derby	$ 706	37.9	$ 77	15.3
Ansonia	450	24.1	108	21.5
Seymour	139	7.5	30	6.0
Shelton	262	14.1	181	36.0
Orange	15	0.8	8	1.6
Woodbridge	23	1.2	4	0.8
All Adjacent Towns	889	47.7	331	65.8
Remainder of Bridgeport SMSA	42	2.3	15	3.0
Remainder of New Haven SMSA	75	4.0	39	7.8
ALL OTHER	152	8.2	42	8.3
TOTAL	$1,864	100.0	$ 503	100.0

Note: Due to rounding figures may not add to totals.

SOURCE: Defendants' Answer to Plaintiff's Interrogatories Numbers 8 and 10.

GX-60

FIRST NEW HAVEN NATIONAL BANK
WALLINGFORD OFFICE
IPC Deposits and Loans as of September 30, 1971
(dollars in thousands)

	Total Deposits		Total Loans	
	Value	%	Value	%
Wallingford	$ 696	48.7	$ 184	53.0
Hamden	52	3.6	8	2.3
North Haven	17	1.2	45	13.0
North Branford	7	0.5	-	-
Durham	3	0.2	3	0.9
Middlefield	1	0.1	-	-
Meriden	100	7.0	30	8.6
Cheshire	120	8.4	20	5.8
All Adjacent Towns	300	21.0	106	30.5
Remainder of New Haven SMSA	113	7.9	27	7.8
ALL OTHER	320	22.4	31	8.9
TOTAL	$1,429	100.0	$ 347	100.0

Note: Due to rounding figures may not add to totals.

Source: Defendants' Answer to Plaintiff's Interrogatories Numbers 8 and 10.

GX-61

Connecticut National Bank and First New Haven National Bank
Demand Deposits of Individuals, Partnerships and
Corporations in Connecticut, Massachusetts,
New York, Rhode Island and Other Locations
September 30, 1971

(Dollar amounts in thousands)

	Connecticut National Bank				First New Haven National Bank			
	No. of Accounts	% of Total	Dollar Amount	% of Total	No. of Accounts	% of Total	Dollar Amount	% of Total
Connecticut	98,431	97.2%	$132,018	92.4%	59,556	92.9%	$112,387	90.2%
Massachusetts	303	0.3	1,213	0.8	188	0.3	766	0.6
New York	1,028	1.0	6,304	4.6	363	0.6	4,250	3.4
Rhode Island	38	-	14	-	27	-	176	0.1
All Other Locations	1,465	1.5	2,699	2.2	3,955	6.2	7,001	5.6
Total	101,265	100.0%	$142,248	100.0%	64,089	100.0%	$124,580	100.0%

Note: Due to rounding figures may not add to totals.

SOURCE: Defendants' exhibits.

GX-62

IPC Deposit and Loan Customers of Defendant Banks With Balances in Excess of $100,000 Having Record Addresses in New York 9/30/71

	Total No. of N.Y. Customers With Balances Above $100,000	No. Which Also Have Local Conn. Address	No. Which Do Business In Conn.
Conn. Nat'l Bank	12	9	11
First New Haven	10	7	10

Source: Defendants' answers to Plaintiff's Interrogatory 1, Set 3.

COMMERCIAL BANKS OPERATING IN ORANGE, MILFORD ANSONIA AND DERBY (FOUR-TOWN AREA)

Bank	Orange		Milford		Ansonia		Derby	
	Offices	Deposits (Millions)	Offices	Deposits (Millions)	Offices	Deposits (Millions)	Offices	Deposits (Millions)
rst New Haven Nat'l Bank	1	$ 6.8	3	$28.0			1	$ 2.4
necticut Nat'l Bank	1	5.9	1	8.1	2	$ 4.6	-	-
Total, FNH and CNB	2	$12.7	4	$36.1	2	$ 4.6	1	$ 2.4
ond Nat'l Bank of New Haven			1	2.2			1	12.8
on Trust Co.					1	11.0		
nge Nat'l Bank	1	6.0					1	.4
te Nat'l Bank of Conn.			1	1.2	2	3.3		
y Nat'l Bank & Trust Co.			1	3.0				
n. Bank & Trust Co.			1	1/				
	-	-	-	-	-	-	-	-
Total	3	$18.7	8	$42.5	5	$18.9	3	$15.6

te: Offices as of 12/31/71; deposits as of 6/30/70.

Office opened since 6/30/70; deposits not available.

rce: FDIC, Summary of Deposits, June 30, 1970; 1971 Annual Report, Conn. Bank Commissioner.

GX-63

COMMERCIAL BANKS OPERATING IN ORANGE, MILFORD ANSONIA AND DERBY (FOUR-TOWN AREA)

Orange		Milford		Ansonia		Derby		Total Four-Town Area		
Offices	Deposits (Millions)	Offices	Deposits (Millions)	Offices	Deposits (Millions)	Offices	Deposits (Millions)	Offices	Deposits (Millions)	% of Total Deposits
1	$ 6.8	1	$28.0			1	$ 2.4	5	$37.2	38.9%
1	5.9	1	8.1	2	$ 4.6	-		4	18.6	19.4
2	$12.7	4	$36.1	2	$ 4.6	1	$ 2.4	9	$55.8	58.3%
		1	2.2			1	12.8	2	15.0	15.7
				1	11.0			1	11.0	11.5
1	6.0					1	.4	2	6.4	6.7
		1	1.2	2	3.3			3	4.5	4.7
		1	3.0					1	3.0	3.1
		1	1/					1		
-		-		-		-		-		
3	$18.7	8	$42.5	5	$18.9	3	$15.6	19	$95.7	100.0%

its as of 6/30/70.

posits not available.

June 30, 1970; 1971 Annual Report, Conn. Bank Commissioner.

GX-64

Commercial Banks Operating In Bridgeport SMSA 1/ 12/31/54

Bank	Offices	Deposits (Millions)	% of SMSA Deposits
Conn. Nat'l Bank	8	$122.7	47.4%
City Trust Co. 2/	6	89.3	34.5
Milford Trust Co. 3/	2	13.0	5.0
Total, Three Largest	16	$225.0	86.8%
Black Rock Bank & Trust Co. 4/	2	11.4	4.4
West Side Bank 5/	1	11.1	4.3
Stratford Trust Co. 6/	1	10.0	3.9
James Staples & Co.	1	1.6	0.6
Columbus Industrial Bank 7/	1	*	*
Total	22	$259.1	100.0%

1/ Includes Shelton & Monroe, added in 1959, and Easton, added in 1963.

2/ After 5/11/71, City Nat'l Bank of Conn.

3/ Acquired by First New Haven Nat'l Bank on 7/11/55.

4/ Acquired by State Nat'l Bank of Conn. (then Nat'l Bank & Trust Co. of Fairfield Co.) on 2/15/60.

5/ Acquired by City Nat'l Bank of Conn. (then City Trust Co.) on 4/2/62.

6/ Acquired by City Nat'l Bank of Conn. (then City Trust Co.) on 12/9/63.

7/ Acquired by Conn. Bank & Trust Co. on 11/15/71.

* Less than $100,000 and 0.1%.

Source: Polk's Bank Directory, March 1955.

GX-65

Commercial Banks Operating In Bridgeport SMSA 1/

Bank	No. of SMSA Offices	Total SMSA Deposits (Millions)	% of Total SMSA Deposits
Conn. Nat'l Bank	25	$205.8	40.0%
City Nat'l Bank of Conn.	12	186.1	36.1
State Nat'l Bank of Conn.	13	60.0	11.7
Total, Three Largest	50	$451.9	87.8%
Lafayette Bank & Trust Co.	6	30.6	5.9
First New Haven Nat'l Bank	3	28.0	5.4
Second Nat'l Bank of New Haven	1	2.2	0.4
James Staples & Co.	1	2.1	0.4
Conn. Bank & Trust Co. 2/	3	*	*
Total	64	$514.8	100.0%

Note: Offices as of 12/31/71; deposits as of 6/30/70.

1/ Includes Bridgeport, Shelton, Easton, Fairfield, Monroe, Stratford, Trumbull, Milford.

2/ Acquired Columbus Industrial Bank, Bridgeport, on 11/15/71.

* Less than $100,000, less than 0.1%.

Source: FDIC Summary of Deposits, June 30, 1970; 1971 Annual Report, Conn. Bank Commissioner.

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BRIDGEPORT SMSA
Concentration of Deposits by Number of Accounts
Five Largest Commercial Banks
June 30, 1970

Bank	%
Conn. Nat'l Bank	43.6%
City Nat'l Bank & Trust Co.	31.0
State Nat'l Bank	13.1
Total, Three Largest	87.7%
First New Haven Nat'l Bank	5.6
Lafayette Bank & Trust Co.	5.4
Total, Five Largest	98.7%
Total No. of SMSA Deposit Accounts	343,022

Source: FDIC, Summary of Accounts and Deposits in All Commercial Banks, Boston Region, p. 54.

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Commercial Banks Operating In
New Haven SMSA 1/
12/31/54

Bank	Offices	Deposits (Millions)	% of SMSA Deposits
First New Haven Nat'l Bank 2/	5	$ 82.0	31.5%
Union Trust Co. 3/	1	52.4	20.1
Second Nat'l Bank of New Haven	2	45.6	17.5
Total, Three Largest	8	$180.0	69.1%
New Haven Bank, N.B.A. 4/	1	38.5	14.8
American Bank & Trust Co. 5/	1	11.0	4.2
Tradesmen's Nat'l Bank of New Haven 6/	1	13.5	5.2
Community Bank & Trust Co. 7/	1	9.1	3.5
Branford Trust Co. 8/	1	3.2	1.2
Morris Plan Bank of New Haven 9/	1	2.4	0.9
Guilford Trust Co. 10/	1	1.8	0.7
General Industrial Bank 11/	1	1.0	0.4
Total	16	$260.5	100.0%

1/ Includes Guilford, added to SMSA in 1959, and Bethany and Branford, added in 1963.

2/ Prior to 9/30/57, First Nat'l Bank & Trust Co. of New Haven.

3/ Prior to 10/1/69, Union & New Haven Trust Co.

4/ Acquired by First New Haven Nat'l Bank on 9/30/57.

5/ Acquired by Second Nat'l Bank of New Haven, 3/15/63.

6/ Acquired by Connecticut Bank & Trust Co., 12/29/69.

7/ Acquired by Second Nat'l Bank of New Haven, 6/30/61.

8/ Acquired by First New Haven Nat'l Bank, 7/11/55.

9/ Acquired by New Haven Bank, N.B.A., 10/3/55.

10/ Acquired by Second Nat'l Bank of New Haven, 11/16/64.

11/ Changed name to General Bank & Trust Co. on 1/1/60, acquired by Hartford Nat'l Bank & Trust Co. on 10/30/70.

Source: Polk's Bank Directory, March 1955.

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Commercial Banks Operating In New Haven SMSA 1/

Bank	No. of SMSA Offices	Total SMSA Deposits (Millions)	% of Total SMSA Deposits
First New Haven Nat'l Bank	17	$207.3	39.5%
Second Nat'l Bank of New Haven	14	147.7	28.1
Union Trust Co.	8	82.4	15.7
Total, Three Largest	39	$437.4	83.3%
Conn. Bank & Trust Co. 2/	5	27.0	5.1
Hamden Nat'l Bank	2	15.4	2.9
Community Banking Co. of North Branford	3	10.5	2.0
Orange Nat'l Bank	2	8.9	1.7
Woodbridge Bank & Trust Co.	1	6.9	1.3
North Haven Nat'l Bank	2	6.8	1.3
Hartford Nat'l Bank 3/	4	6.6	1.3
Conn. Nat'l Bank	1	5.9	1.1
Total	59	$525.4	100.0%

Note: Offices as of 12/31/71; deposits as of 6/30/70.

1/ Includes New Haven, Bethany, Branford, East Haven, Guilford, Hamden, North Branford, North Haven, Orange, West Haven, Woodbridge.

2/ Acquired Tradesmen's Nat'l Bank of New Haven on 12/29/69.

3/ Acquired General Bank & Trust Co. on 10/30/70.

Sources: FDIC, Summary of Deposits, 6/30/70; 1971 Annual Report, Conn. Bank Commissioner.

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NEW HAVEN SMSA
Concentration of Deposits by Number of Accounts
Five Largest Commercial Banks
June 30, 1970

Bank	%
Union Trust Co.	31.9%
First New Haven Nat'l Bank	28.4
Second Nat'l Bank of New Haven	15.7
Total, Three Largest	76.0%
Conn. Bank & Trust Co.	7.3
Hamden Nat'l Bank	2.2
Total, Five Largest	85.5%
Total No. of SMSA Deposit Accounts	299,648

Source: FDIC, Summary of Accounts and Deposits in All Commercial Banks, Boston Region, p. 55.

Connecticut Commercial Banking Organizations
Ranked According To Total Deposits
12/31/71

Rank	Bank	Total Deposits (Millions)	Offices	Mergers 1955-71	De Novo Branches 1955-71	Share Total State Deposits
1	Hartford Nat'l Bank & Trust Co.	$1,103.8	62	10	28	19.4%
2	Connecticut Bank & Trust Co., Hartford	1,086.4	67	9	32	19.1
3	Union Trust Co., New Haven	530.0	46	11 1/	21 1/	9.3
4	State Nat'l Bank of Conn., Bridgeport	380.0	40	2	30	6.7
5	Connecticut Nat'l Bank	374.7	51	4	33	6.6
6	City Nat'l Bank of Conn., Bridgeport	345.9	28	5 2/	17 2/	6.1
7	First New Haven Nat'l Bank	266.1	22	3	14	4.7
8	Colonial Bank & Trust Co., Waterbury	255.4	32	5	14	4.5
9	First Conn. Bancorporation, Hartford					
9A	United Bank & Trust Co., Hartford	105.9	18	4	10	1.9
9B	New Britain Nat'l Bank	66.6	6	0	3	1.2
9C	Simsbury Bank & Trust Co.	31.7	4	0	2	.6
	Total, Bancorp.	204.2	28	4	15	3.7
10	Second Nat'l Bank, New Haven	184.4	17	5	8	3.2
11	Putnam Trust Co. of Greenwich	102.9	4	0	2	1.8
12	Fidelity Trust Co., Stamford	83.2	9	0	5	1.5
13	New Britain Bank & Trust Co.	63.8	8	2	7	1.1
14	Westport Bank & Trust Co.	48.4	6	0	4	.9
15	Home Nat'l Bank & Trust Co.	47.7	7	0	5	.8
16	Lafayette Bank & Trust Co., Bridgeport	44.5	6	0	5	.8
17	Merchants Bank & Trust Co., Norwalk	35.7	4	0	2	.6
18	Willimantic Trust Co.	33.3	5	1	3	.6
19	Northern Conn. Nat'l Bank, Windsor Locks	29.9	8	1	4	.5
20	Plainville Trust Co.	26.0	5	0	3	.5
21	Constitution Nat'l Bank, Hartford	25.8	4	0	3	.5
22	Seymour Trust Co.	24.7	2	0	1	.4
23	South End Bank & Trust Co., Hartford	24.5	4	0	3	.4
24	Charter Oak Bank & Trust Co., Hartford	21.3	3	0	2	.4
25	Hamden Nat'l Bank	20.3	2	0	1	.4
26	Glastonbury Bank & Trust Co.	19.9	2	0	1	.4
27	Clinton Nat'l Bank	19.0	4	0	3	.3
28	Citizens Nat'l Bank of Putnam	16.4	2	0	1	.3
29	First Nat'l Bank of Litchfield	16.2	3	0	1	.3
30	Southington Bank & Trust Co.	15.3	3	0	2	.3
31	Community Banking Co. of N. Branford	14.7	4	0	3	.3
32	Westport Nat'l Bank	14.2	2	0	1	.2
33	Laurel Bank & Trust Co., Meriden	14.2	2	0	1	.2
34	Orange Nat'l Bank	13.5	3	0	2	.2
35	Citizens Bank & Trust Co. of Glastonbury	14.1	4	0	3	.2

Rank	Bank	Total Deposits (Millions)	Offices	Mergers 1955-71	De Novo Branches 1955-71	Share Total State Deposits
36	South Windsor Bank & Trust Co.	12.4	3	0	2	.2
37	Vernon Nat'l Bank	12.4	3	0	1	.2
38	North Haven Nat'l Bank	12.0	2	0	1	.2
39	Fairfield County Nat'l Bank	11.5	1	0	0	.2
40	Winthrop Bank & Trust Co., New London	11.4	1	0	0	.2
41	Salisbury Bank & Trust Co., Lakeville	10.1	2	0	1	.2
42	Citizens Nat'l Bank of Southington	9.7	2	0	1	.2
43	Terryville Trust Co.	9.4	2	0	1	.2
44	Woodbridge Bank & Trust Co.	8.4	1	0	0	.1
45	Deep River Nat'l Bank	8.0	2	0	1	.1
46	Jewett City Trust Co.	6.9	1	0	0	.1
47	National Iron Bank of Falls Village	6.6	3	0	1	.1
48	Mattatuck Bank & Trust Co.	6.4	1	0	0	.1
49	Bank of Stratford	5.8	1	0	0	.1
50	First Nat'l Bank of Suffield	5.5	1	0	0	.1
51	Canaan Nat'l Bank	5.4	1	0	0	.1
52	Manchester State Bank	4.6	1	0	0	.1
53	First Nat'l Bank of Enfield	4.3	1	0	0	.1
54	First Stamford Bank & Trust Co.	3.9	1	0	0	*
55	Chester Trust Co.	2.7	1	0	0	*
56	Nat'l Bank of New England, E. Haddam	2.6	1	0	0	*
57	Danbury Bank & Trust Co.	2.5	1	0	0	*
58	Meriden Trust & Safe Deposit Co.	1.5	1	0	0	*
59	New England Bank & Trust Co., Enfield	.2	1	0	0	*

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* Less than .05%.

1/ Combined merger and branching totals of Union & New Haven Trust Co., New Haven, and Fairfield County Trust Co., Stamford, which merged on October 1, 1969, with the title, Union Trust Co.

2/ Combined merger and branching totals of City Trust Co., Bridgeport, and Waterbury National Bank, Waterbury, which merged on May 11, 1971, with the title, City Nat'l Bank of Connecticut.

Sources: Polk's Bank Directory, March, 1972; 1971 Annual Report, Conn. State Banking Commissioner; FDIC, Changes Among Operating Banks and Branches, 1956-72.

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TEN LARGEST CONNECTICUT COMMERCIAL BANKING ORGANIZATIONS
6/30/72

Rank		Total Deposits (000)
1	Hartford Nat'l Bank & Trust Co.	$1,176,983
2	Connecticut Bank & Trust Co., Hartford	1,149,060
3	Union Trust Co., New Haven	533,444
4	Connecticut Nat'l Bank, Bridgeport	401,439
5	State NB of Connecticut, Bridgeport	384,985
6	City NB of Connecticut, Bridgeport	360,366
7	Colonial Bank & Trust Co., Waterbury	272,343
8	First New Haven Nat'l Bank	265,788
9	First Connecticut Bancorp.	211,349
10	Second Nat'l Bank, New Haven	187,670

Sources: "American Banker," 8/4/72; First Connecticut Bancorp.

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MERGERS AND CONSOLIDATIONS BY CONNECTICUT COMMERCIAL BANKS
1955-1972

County	City	ACQUIRING BANK Merged Bank	Total Deposits (000)	No. of Offices	Date
		Banks acquired by HARTFORD NAT'L BANK & TRUST CO.			
New London	Norwich	Uncas-Merchants Nat'l Bank of Norwich	$ 6,521	1	7-11-55
Middlesex	Middletown	Central Nat'l Bank & Trust Co. of Middletown	10,927	1	10-31-55
"	"	Middletown Nat'l Bank	8,338	1	10-31-55
Hartford	Windsor	Windsor Trust Co.	7,114	1	12-17-56
Litchfield	Torrington	Torrington Nat'l Bank & Trust Co.	25,380	1	11-3-58
Hartford	Manchester	First Nat'l Bank of Manchester	10,011	2	5-25-59
Middlesex	Essex	Essex Nat'l Bank	2,501	1	7-19-60
Windham	Putnam	Cargill Trust Co.	7,754	2	10-10-64
Fairfield	Stamford	Lincoln Bank & Trust Co.	27,171	5	12-12-69
New Haven	New Haven	General Bank & Trust Co.	6,577		10-30-70
		Banks acquired by CONNECTICUT BANK & TRUST CO. (HARTFORD)			
Windham	Willimantic	Windham Nat'l Bank	$ 11,674	1	8-22-55
Hartford	Manchester	Manchester Trust Co.	14,175	2	12-29-58
"	Thompsonville	Thompsonville Trust Co.	11,355	2	6-3-59
New London	Groton	Groton Bank & Trust Co.	5,057	1	2-23-60
New Haven	Wallingford	Wallingford Bank & Trust Co.	9,334	1	8-27-62
New London	New London	Union Bank & Trust Co. of New London	6,680	1	8-5-63
New Haven	New Haven	Tradesmens Nat'l Bank of New Haven	26,451	4	12-29-69
Fairfield	Bridgeport	Columbus Industrial Bank	0	1	11-15-71
Hartford	Bristol	North Side Bank & Trust Co.	13,325	3	12-13-71

County	City	ACQUIRING BANK Merged Bank	Total Deposits (000)	No. of Offices	Date
Banks acquired by UNION TRUST CO. (NEW HAVEN)					
Fairfield	Stamford	Fairfield County Trust Co. 1/	$321,396	31	10-1-69
New Haven	New Haven	Union & New Haven Trust Co. 1/	116,290	11	10-1-69
New London	New London	Winthrop Bank & Trust Co.	11,338	1	8-72
Banks acquired by FAIRFIELD COUNTY TRUST CO. (Prior to consolidation with Union & New Haven Trust Co.)					
Fairfield	Old Greenwich	Trust Co. of Old Greenwich	$ 8,449	2	6-3-57
"	Norwalk	Nat'l Bank of Norwalk	13,413	2	12-13-57
"	Greenwich	First Nat'l Bank in Greenwich	16,985	4	12-27-57
"	New Canaan	First Nat'l Bank & Trust Co.	16,902	3	3-3-58
"	Bethel	Bethel Nat'l Bank	6,063	1	1-5-59
"	Ridgefield	First Nat'l Bank & Trust Co.	8,333	2	5-8-59
"	Danbury	Danbury Nat'l Bank	17,760	2	8-7-59
Banks acquired by UNION & NEW HAVEN TRUST CO. (Prior to consolidation with Fairfield County Trust Co.)					
New Haven	Wallingford	First Nat'l Bank of Wallingford	$ 10,551	1	4-16-56
" "	Ansonia	The Ansonia Bank	9,037	1	2-10-58
" "	Madison	Madison Trust Co.	4,209	1	10-22-62

1/ Consolidated to form Union Trust Co.

ACQUIRING BANK

County	City	Merged Bank	Total Deposits (000)	No. of Offices	Date
		Banks acquired by STATE NAT'L BANK OF CONN. (BRIDGEPORT) (NAT'L B&T CO. OF FAIRFIELD COUNTY, prior to 2-1-62)			
Fairfield	Greenwich	Greenwich Trust Co.	$ 62,475	6	3-3-58
"	Bridgeport	Black Rock Bank & Trust Co.	14,714	3	2-15-60
		Banks acquired by GREENWICH TRUST CO.			
Fairfield	Stamford	Security Bank & Trust Co.	$ 10,940	1	10-1-57
		Acquired by NAT'L B&T CO. OF FAIRFIELD COUNTY, 3-3-58			
		Banks acquired by CONNECTICUT NAT'L BANK (BRIDGEPORT)			
Fairfield	Westport	First Nat'l Bank in Westport	$ 4,034	1	4-4-55
New Haven	Waterbury	Waterbury Trust Co.	15,571	2	5-11-57
Fairfield	So. Norwalk	City Nat'l Bank of South Norwalk	14,470	2	3-8-58
"	Stamford	Atlantic Nat'l Bank	16,639	4	4-17-70
		Banks acquired by CITY NAT'L BANK OF CONN. (BRIDGEPORT) (CITY TRUST CO., prior to 5-11-71)			
Fairfield	So. Norwalk	South Norwalk Trust Co.	$ 27,218	1	8-5-57
"	Danbury	City Nat'l Bank & Trust Co.	14,380	2	3-30-59
"	Bridgeport	West Side Bank	13,967	1	4-2-62
"	Stratford	Stratford Trust	15,128	1	12-9-63
New Haven	Waterbury	Waterbury Nat'l Bank	68,673	9	5-11-71

ACQUIRING BANK

County	City	Merged Bank	Total Deposits (000)	No. of Offices	Date
		Banks acquired by FIRST NEW HAVEN NAT'L BANK			
New Haven	Milford	Milford Trust Co.	$ 12,977	2	7-11-55
" "	New Haven	The New Haven Bank, N.B.A.	42,024	2	9-30-57
" "	Branford	Branford Trust Co.	5,107	1	10-1-64
		Banks acquired by THE NEW HAVEN BANK, N. B. A.			
New Haven	New Haven	Morris Plan Bank of New Haven	$ 2,460	1	10-3-55
		Acquired by FIRST NEW HAVEN NAT'L BANK, 9-30-57			
		Banks acquired by COLONIAL BANK & TRUST CO. (WATERBURY) (COLONIAL TRUST CO., prior to 7-1-59)			
New Haven	Naugatuck	Naugatuck Nat'l Bank	$ 15,359	1	7-15-57
" "	Waterbury	Citizens & Manufacturers Nat'l Bank of Waterbury	31,115	1	7-1-59
" "	Meriden	Puritan Bank & Trust Co.	9,688	3	12-2-66
Litchfield	New Milford	Litchfield County Nat'l Bank	20,492	6	12-6-68
"	Torrington	Brooks Bank & Trust Co.	28,720	5	12-31-69

ACQUIRING BANK

County	City	Merged Bank	Total Deposits (000)	No. of Offices	Date
Banks acquired by SECOND NAT'L BANK OF NEW HAVEN					
New Haven	New Haven	Community Bank & Trust Co.	$ 13,371	2	6-30-61
" "	" "	American Bank & Trust Co.	13,621	2	3-15-63
" "	Guilford	Guilford Trust Co.	6,091	2	11-16-64
" "	Derby	Birmingham Nat'l Bank	11,300	1	2-26-65
	"	Home Nat'l Bank of Derby	799		2-26-65
Banks acquired by FIRST CONN. BANCORPORATION, INC. (HARTFORD)					
Hartford	Hartford	United Bank & Trust Co.	$ 90,401	16	4- -70
"	Simsbury	Simsbury Bank & Trust Co.	26,231	4	4- -70
"	New Britain	New Britain Nat'l Bank	53,116	6	4- -70
Banks acquired by UNITED BANK & TRUST CO. (HARTFORD)			(RIVERSIDE TRUST CO., prior to 6-4-65)		
Litchfield	New Hartford	New Hartford Trust Co.	$ 2,566	1	10-3-55
Middlesex	Essex	Bankers Trust Co.	1,150	1	7-17-58
Hartford	Broad Brook	Broad Brook Bank & Trust Co.	2,939	1	2-6-61
"	Bristol	Bristol Bank & Trust Co.	18,366	3	6-14-65
Acquired by FIRST CONNECTICUT BANCORPORATION, INC., 4-70					
Banks acquired by NEW BRITAIN BANK & TRUST CO.			(NEW BRITAIN TRUST CO., prior to 2-15-65)		
Hartford	New Britain	Fidelity Industrial Bank	$ -	1	3-28-56
"	Rocky Hill	Rocky Hill Bank & Trust Co.	3,775	1	12-2-68

ACQUIRING BANK

County	City	Merged Bank	Total Deposits (000)	No. of Offices	Date
		Banks acquired by NORTHERN CONN. NAT'L BANK (WINDSOR LOCKS)	(FIRST NAT'L BANK OF WINDSOR LOCKS, prior to 7-14-65)		
Hartford	Thompsonville	First Nat'l Bank of Thompsonville	$ 6,055	3	9-7-62
		Banks acquired by LITCHFIELD COUNTY NAT'L BANK (NEW MILFORD)	(FIRST NAT'L BANK OF NEW MILFORD, prior to 7-17-61)		
Litchfield	Sharon	Sharon Nat'l Bank	$ 2,486	1	7-17-61
		Acquired by COLONIAL BANK & TRUST CO. (WATERBURY), 12-9-68			
		Banks acquired by WILLIMANTIC TRUST CO. (WILLIMANTIC)			
Windham	Danielson	County Bank & Trust Co. of Danielson	$ 2,984	1	9- -67

Source: FDIC, Changes Among Operating Banks and Branches, 1956-72.

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DE NOVO OFFICES OPENED BY TEN LARGEST COMMERCIAL BANKS IN CONNECTICUT 1955-1972

County	City	Date
Branches opened by HARTFORD NAT'L BANK & TRUST CO.		
Hartford	E. Hartford	12-14-55
Middlesex	Middletown	7-31-57
Hartford	Farmington	4-11-58
"	Wethersfield	3-15-60
New London	Groton	5-28-62
Hartford	Hartford	2-20-63
New London "	Waterford	7-1-64
"	Gales Ferry	12-7-64
Middlesex	Middletown	9-15-65
Hartford	E. Hartford	11-6-65
"	Hartford	1-18-66
New London	Montville	7-6-66
Hartford	Hartford	9-14-66
"	Manchester	6-15-67
"	"	8-16-67
Windham	Central Village	12-18-67
Litchfield	Harwinton	9-5-68
Hartford	Newington	1-8-69
"	Bloomfield	6-29-69
"	Manchester	10-16-69
Litchfield	Winchester	12-10-69
New London	Norwich	3-11-70
Hartford	Windsor	4-1-70
"	Hartford	6-17-70
Fairfield	Danbury	11-23-70
Hartford	Hartford	7-13-71
Fairfield	Fairfield	12-8-71
Litchfield	Torrington	6-21-71
"	"	1-19-72
Branches opened by CONN. BANK & TRUST CO., HARTFORD		
Hartford	E. Hartford	2-14-56
"	Bloomfield	1-14-57
New London	Norwichtown	4-8-57
Hartford	Manchester	2-1-60
"	Thompsonville	1-30-61
"	W. Hartford	3-11-63
"	E. Hartford	11-2-64
"	Hartford	2-1-65
New London	Norwich	3-15-65
Middlesex	Cromwell	4-18-66
Hartford	Hartford	8-1-66
"	"	11-28-66
"	W. Hartford	5-15-67
Windham	Plainfield	6-26-67
Hartford	Hartford	8-21-67
"	E. Hartford	9-11-67
"	W. Hartford	11-13-67
Tolland	Mansfield	2-26-68
New London	Norwich	5-6-68
Middlesex	Middletown	8-5-68

County	City	Date
New London	Waterford	3-31-69
Hartford	Hartford	12-15-69
Windham	Brooklyn	1-19-70
New Haven	New Haven	5-4-70
Litchfield	Litchfield	6-15-70
Middlesex	Higganum	8-24-70
"	Middleton	9-9-70
Hartford	Avon	5-24-71
Fairfield	Fairfield	5-27-71
"	Darien	7-19-71
Hartford	Windsor	11-15-71
New Haven	Milford	12-20-71
Tolland	Coventry	1-31-72
New Haven	Branford	3-13-72

Branches opened by UNION TRUST CO., NEW HAVEN

Fairfield	Stamford	4-20-70
New Haven	West Haven	10-26-71
Fairfield	Trumbull	2-1-72

Branches opened by FAIRFIELD COUNTY TRUST CO., STAMFORD
(Prior to consolidation with Union & New Haven Trust Co. on 10-1-69)

Fairfield	North Darien	6-16-55
"	Stamford	7-16-56
"	Wilton	3-12-58
"	Danbury	12-19-59
"	Newton	3-25-61
"	Stamford	3-25-63
"	"	6-15-63
"	Glenbrook	6-29-63
"	N. Ridgefield	12-26-63
"	Danbury	5-9-64
"	New Canaan	2-23-65
"	Danbury	11-1-65
Litchfield	Stamford	5-12-69
	New Milford	8-11-69

Branches opened by UNION & NEW HAVEN TRUST CO.
(Prior to consolidation with Fairfield County Trust Co. on 10-1-69)

New Haven	Hamden	11-9-55
" "	New Haven	9-21-59
" "	North Haven	12-11-61
	Wallingford	5-6-63
Middlesex	Old Saybrook	4-23-64
New Haven	Branford	10-1-64

County	City	Date
Branches opened by STATE NAT'L BANK OF CONN., BRIDGEPORT		
Fairfield	Stamford	4-2-56
"	Wilton	4-14-58
"	New Canaan	7-14-58
"	" "	7-14-58
"	Ridgefield	11-2-59
"	Danbury	5-16-60
"	Stamford	4-1-61
"	"	6-19-61
"	Southport	12-1-61
"	Stamford	12-16-61
"	Danbury	12-16-61
"	"	5-12-62
"	Shelton	9-7-63
New Haven	Ansonia	9-28-63
Fairfield	Bridgeport	10-5-63
"	"	12-14-63
"	"	1-25-64
"	Stratford	2-8-64
"	Bridgeport	4-18-64
"	Brookfield	12-5-64
"	Fairfield	7-10-65
New Haven	Milford	9-13-68
Litchfield	New Milford	2-1-69
"	Watertown	4-18-70
Fairfield	Danbury	6-29-70
New Haven	Wallingford	8-15-70
" "	Naugatuck	11-21-70
Fairfield	Shelton	4-24-71
New Haven	Ansonia	6-14-71
Fairfield	Ridgefield	11-13-71
Branches opened by CONN. NAT'L BANK, BRIDGEPORT		
New Haven	Milford	2-17-56
" "	Orange	3-15-56
Fairfield	Trumbull	7-1-57
"	Brookfield	6-2-58
New Haven	Ansonia	8-14-58
Fairfield	S. Norwalk	5-6-59
"	Monroe	5-22-59
"	Stratford	6-19-59
"	Bethel	9-11-59
"	Fairfield	11-9-59
"	Danbury	12-21-59
"	New Fairfield	4-9-60
New Haven	Walcott	12-6-61
Fairfield	Bridgeport	4-14-61
"	"	7-9-62
New Haven	Southbury	9-12-62
Fairfield	Shelton	3-12-63
"	Trumbull	10-21-63
"	Bridgeport	11-26-63
"	Fairfield	12-2-63
"	Ridgefield	4-6-64
"	Stratford	4-24-64
"	Darien	8-24-64
"	Bridgeport	11-30-64

County	City	Date
Fairfield	Danbury	12-14-64
"	New Canaan	5-3-65
"	Monroe	7-19-65
New Haven	Prospect	11-11-67
Fairfield	Fairfield	6-14-68
Litchfield	New Milford	1-24-69
Fairfield	Bridgeport	3-9-70
"	Southport	12-7-70
"	Shelton	7-23-71
New Haven	Ansonia	12-11-71

Branches opened by CITY TRUST CO., BRIDGEPORT (Prior to consolidation with Waterbury Nat'l Bank on 5-11-71)

Fairfield	Bridgeport	11-8-63
"	"	12-3-63
"	Stratford	8-22-64
"	Trumbull	12-11-65
"	Danbury	9-24-66
New Haven	Milford	9-16-67
Fairfield	Fairfield	3-15-69
"	Wilton	9-27-69

Branches opened by WATERBURY NAT'L BANK (Prior to consolidation with City Bank & Trust Co. on 5-11-71)

New Haven	Waterbury	4-14-58
" "	Cheshire	12-58
" "	Middlebury	4-4-60
" "	Naugatuck	4-11-64
Litchfield	Watertown	6-16-66
New Haven	Waterbury	8-5-67
Litchfield	Woodbury	5-3-69
New Haven	Waterbury	12-22-69
" "	"	1-22-71

Branches opened by FIRST NEW HAVEN NAT'L BANK

New Haven	Hamden	4-4-55
" "	West Haven	10-28-58
" "	" "	4-15-59
" "	Milford	9-14-59
" "	Orange	11-25-63
" "	New Haven	10-13-64
" "	Guilford	7-26-65
" "	Branford	10-11-65
" "	Derby	5-16-66
" "	Wallingford	10-30-68
" "	New Haven	8-18-69
" "	" "	12-1-69
" "	" "	1-9-70
" "	" "	5-14-71

County	City	Date
Branches opened by COLONIAL BANK & TRUST CO., WATERBURY		
New Haven	Waterbury	12-5-55
" "	"	7-23-56
" "	Walcott	10-3-61
" "	Waterbury	5-16-62
" "	Southbury	8-27-62
" "	Cheshire	8-17-63
Litchfield	Watertown	6-24-66
New Haven	Meriden	12-19-66
" "	Waterbury	11-13-68
" "	Southbury	8-4-69
" "	Waterbury	8-13-69
" "	"	10-28-69
" "	Wallingford	6-8-71
Fairfield	Brookfield	12-1-71
"	Middlebury	8-1-72
Branches opened by UNITED BANK & TRUST CO., HARTFORD (Acquired by First Conn. Bancorp. in 4-70)		
Hartford	Hartford	6-27-56
"	"	9-14-59
New London	Oly Lyme	11-2-59
Hartford	W. Hartford	12-13-62
"	Windsor	1-12-65
"	Bristol	9-11-65
"	E. Hartford	10-20-67
"	Middletown	3-7-70
"	W. Hartford	4-24-71
Branches opened by NEW BRITAIN NAT'L BANK (Acquired by First Conn. Bancorp. in 4-70)		
Hartford	New Britain	2-4-57
"	New Britain	5-17-67
"	W. Hartford	11-20-61
"	Berlin	4-27-68
Branches opened by SIMSBURY BANK & TRUST CO. (Acquired by First Conn. Bancorp. in 4-70)		
Hartford	Avon	6-9-58
"	Granby	5-22-61
"	Canton	10-17-66
Branches opened by SECOND NAT'L BANK OF NEW HAVEN		
New Haven	North Haven	10-14-57
" "	West Haven	3-23-59
" "	Hamden	6-13-60
" "	New Haven	12-17-62
" "	Milford	5-17-62
" "	West Haven	5-24-67
" "	East Haven	8-9-68
" "	Branford	7-26-71
" "	West Haven	2-23-72

Source: FDIC, Changes Among Operating Banks and Branches, 1936-72.

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De Novo Branches Approved or Opened
Ten Largest Commercial Banking Organizations
1/1/72 To 8/31/72

Bank	Town
Hartford Nat'l Bank & Trust Co.	Torrington
Conn. Bank & Trust Co.	Coventry Mansfield Branford New Canaan East Hartford
Union Trust Co.	Trumbull Milford
City Nat'l Bank of Conn.	Monroe
Colonial Nat'l Bank	Middlebury
Second Nat'l Bank of New Haven	West Haven

SOURCE: Connecticut Banking Dept., Weekly Bulletins, Jan. through Aug. 1972.

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PLAINTIFF'S INTERROGATORY TO DEFENDANTS,
SET 1, NO. 34

Interrogatory 34

(A) List each formal and informal application and/or inquiry made by (1) Connecticut National, and (2) First New Haven to any bank regulatory agency during the period January 1, 1955 to date for approval to establish a de novo banking office.

(B) With respect to each application or inquiry listed in answer to (A) above, state:

(1) Date of the application or inquiry;

(2) Name of the regulatory agency to which it was submitted;

(3) Location of the office for which approval was sought;

(4) Whether the application was approved;

(5) If denied, reasons given by regulatory agency for denying application or inquiry;

(6) Whether and when the office was opened for business; and

(7) The annual operating profits or losses for each office opened for business from the date of opening to date.

(C) State whether, from January 1, 1960 to date, any officer or committee of (1) Connecticut National, and (2) First New Haven have considered establishing any de novo banking offices in addition to those listed in answer to (A) above.

(D) If the answer to (C) above is in the affirmative, state:

(1) Each location considered for an office.

(2) The period of time during which consideration was given to establishing each such office.

(3) The reasons for considering the establishment of an office at each location.

(4) The reasons why application was not made to a bank regulatory agency for approval to establish each such office.

CONNECTICUT NATIONAL BANK

INTERROGATORY #34

Office	Date of Application to the Comptroller of the Currency	Date of Approval or Denial	Opening Date
MILFORD 295 Post Road Milford, Conn.	8/19/55	unknown	12/2/56
TRUMBULL White Plains Road Trumbull, Conn.	5/3/57	6/6/57	7/1/57
WEST NORWALK 147 Connecticut Ave. Norwalk, Conn.	unknown	10/25/57	5/6/59
BROOKFIELD Route 7 Brookfield, Conn.	(1) 5/20/55 (2) 8/5/57	7/12/55 1/13/58	Denied (see note) 6/2/58
WILTON Wilton, Conn.	12/20/57	2/20/58	Denied (see note)
ANSONIA Pershing Drive Ansonia, Conn.	3/4/58	5/5/58	8/14/58
STEPNEY Main Street Stepney, Conn.	6/6/58	9/29/58	5/22/59
STRATFORD 2944 Main Street	(1) 1/24/58 (2) 7/28/58	4/15/58 12/8/58 12/6/63	Denied (see note) 6/19/59 (limited service) full service
BETHEL Grassy Plain Street Bethel, Conn.	11/20/58	2/25/59	9/11/59
TUNXIS HILL 176 Tunxis Hill Road Fairfield, Conn.	3/30/59	6/9/59	11/9/59
KENT Main Street Kent, Conn.	7/21/59	11/10/59	Denied (see note)

INTERROGATORY #34

Office	Date of Application to the Comptroller of the Currency	Date of Approval or Denial	Opening Date
DANBURY 343 Main Street Danbury, Conn.	6/3/59	8/11/59	12/21/59
NEW FAIRFIELD Rts. 37 & 39 New Fairfield, Conn.	7/31/59	11/10/59	4/9/60
BLACK ROCK Fairfield Ave. Bridgeport, Conn.	(1) 11/5/58 (2) 12/4/59	2/16/59 4/20/60	Denied (see note) 4/14/61
WOLCOTT 710 Wolcott Road Wolcott, Conn.	5/2/61	7/27/61	12/6/61
CLINTON AVENUE 440 Clinton Ave. Bridgeport, Conn.	9/18/61	2/19/62	7/9/62
SOUTHBURY St. Pierre Bldg. Oak Tree Road Southbury, Conn.	5/11/62	7/26/62	9/12/62
STRATFIELD 138 Fairfield Woods Road Fairfield, Conn.	10/5/62	12/12/62	12/2/63
ENGLEWOOD 3909 Main Street Bridgeport, Conn.	10/5/62	12/12/62	11/27/63
MADISON AVENUE 4168 Madison Avenue Trumbull, Conn.	10/5/62	12/12/62	10/21/63
NOB HILL 505 Broadbridge Road Bridgeport, Conn.	10/5/62	12/12/62	11/30/64
HUNTINGTON 4 Huntington Street Shelton, Conn.	12/20/62	2/5/63	3/12/63
WEST HAVEN 221 Bull Hill Lane West Haven, Conn.	4/26/67	6/29/67	Denied (see note)

INTERROGATORY #34

Office	Date of Application to the Comptroller of the Currency	Date of Approval or Denial	Opening Date
RIDGEFIELD 60 Danbury Road Ridgefield, Conn.	(1) 2/27/59 (2) 6/3/63	5/8/59 7/1/63	Denied (see note) 4/6/64
DARIEN 1899 Post Road Darien, Conn.	8/16/63	10/10/63	8/24/64
SHAKESPEARE 1344 Main Street Stratford, Conn.	1/3/64	2/17/64	4/20/64
NEW CANAAN 278 Elm Street New Canaan, Conn.	6/5/64	8/18/64	5/3/65
CANDLEWOOD 93 Federal Road Danbury, Conn.	8/28/64	11/9/64	12/14/64
MONROE Route 111 Monroe, Conn.	11/9/64	1/12/65	7/19/65
PROSPECT Waterbury Prospect Rd Prospect, Conn.	(1) 6/30/66 (2) 10/24/66	10/10/66 11/28/66	Denied (See note) 11/10/67
GREENFIELD HILL 1950 Bronson Road Fairfield, Conn.	12/12/67	unknown	6/14/68
NEW MILFORD 50 Bridge Street New Milford, Conn.	4/29/68	12/16/68	1/24/69
SOUTHPORT 3670 Post Road Southport, Conn.	6/27/69	10/6/69	12/7/70
UNIV. OF BRIDGEPORT 200 University Ave. Bridgeport, Conn.	10/23/69	1/23/70	3/9/70
TRAP FALLS 1 Trap Falls Road Shelton, Conn.	9/3/70	11/18/70	7/23/71
ANSONIA 352 Main Street Ansonia, Conn.	3/26/70	7/6/70	12/11/71

Note: Correspondence still on file from the Comptroller of the Currency regarding denials of new branch applications is uniform in content, advising only that the particular application has been disapproved and without further comment.

INTERROGATORY 34, B(7)

CONNECTICUT NATIONAL BANK

Pretax earnings, on a fully taxable basis:

($ thousands)

BRANCH (year opened)	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Milford (1956)	60.1	61.3	120.2	169.1	123.4	163.5	168.6	277.9	295.1	337.0	209.1
Trumbull (1957)	13.3	8.8	26.1	28.1	33.3	42.9	26.9	62.3	91.8	92.1	85.6
Brookfield (1958)	11.8	11.0	17.9	26.7	41.8	23.3	11.9	30.5	37.3	43.5	24.1
Pershing Drive (1958)	16.7	22.9	69.6	95.0	111.2	109.7	120.0	157.2	217.6	244.2	253.4
Stratford (1958)	(.6)	5.6	9.9	17.6	36.1	65.5	42.6	60.6	104.2	126.0	127.4
West Norwalk (1959)	(7.5)	16.0	47.7	52.1	56.5	43.2	29.2	41.2	69.3	73.5	46.7
Stepney (1959)	4.1	12.5	21.0	30.7	41.2	44.6	34.8	25.0	43.8	45.2	38.1
Bethel (1959)	(1.6)	(5.4)	12.6	22.4	38.1	23.9	12.7	18.5	25.0	59.2	65.9
Tunxis Hill (1959)	(7.2)	1.5	21.3	8.1	8.2	17.9	12.9	10.2	25.4	45.7	19.9
Danbury (1959)	5.4	27.1	.4	33.0	51.8	23.4	10.2	36.2	73.1	105.1	70.0
New Fairfield (1960)	(11.5)	(6.8)	.6	6.8	13.2	21.8	18.3	36.3	61.3	69.7	33.7
Black Rock (1961)		(28.0)	(2.1)	9.0	11.3	11.4	9.4	15.1	21.1	50.1	43.6
Wolcott (1961)			(5.4)	4.1	16.1	36.5	53.8	54.8	58.2	66.2	23.7
Clinton Avenue (1962)			(7.5)	17.9	20.5	27.1	30.2	8.7	23.9	41.1	(6.3)
Southbury (1962)			(9.8)	(8.8)	15.3	3.3	8.2	15.7	26.9	26.4	9.2
Stratfield (1963)				(4.0)	(17.6)	(10.9)	2.1	21.4	32.0	35.3	7.5
Englewood (1963)				(2.9)	(.2)	32.2	37.2	42.8	52.3	49.8	6.5
Madison Avenue (1963)				(2.6)	24.1	49.3	72.5	76.3	110.5	106.0	67.6
Huntington (1963)				4.0	8.3	15.1	16.8	21.5	33.1	39.0	4.6
Nob Hill (1964)					(.5)	12.1	27.0	51.0	78.1	82.6	60.1
Ridgefield (1964)					(16.7)	.6	20.0	53.7	132.0	183.8	53.9
Darien (1964)					(5.1)	(3.9)	.9	33.8	70.3	118.7	69.4
Shakespeare (1964)					(7.2)	5.1	13.7	28.6	40.4	23.4	(28.0)
Candlewood (1964)					(2.5)	7.2	21.9	44.3	56.9	82.4	5.8
New Canaan (1965)						(6.4)	37.0	10.3	40.7	71.5	62.1
Monroe (1965)						(10.8)	3.2	23.5	40.5	49.2	25.6
Prospect (1967)								(7.2)	(5.6)	31.7	40.0
Greenfield Hill (1968)									(13.0)	21.3	29.2
New Milford (1969)										(9.4)	11.5
Southport (1970)											(15.5)
University (1970)											23.6
Trap Falls (1971)											
Ansonia (1971)											

Notes: (1) figures for 1971 and for years prior to 1960 not available.
(2) accounting change in 1970: elimination of special credit for volume of transactions processed. Resulted in a shift of approximately $1 million of earnings out of the branches and into the Main Office.

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INTERROGATORY #34 (C)

Branch locations considered but never applied for:

Location	Date	Reason for not applying
Easton	1962	Town zoning regulations prohibit new commercial properties.
Watertown	1964	Acceptable location unavailable.
Middlebury	1964	Conclusion that market could not support another bank.
Naugatuck	1964	Conclusion that market could not support another bank.
West Haven (1) Bull Hill Lane (2) Baybrook (3) Route 1	1965	None of the three areas was deemed to have enough potential. The Bull Hill Lane location was later applied for in 1967 but the application was denied.
Milford (1) Naugatuck Avenue (2) Old Gate Lane	1967	Not considered attractive enough. Recommendation of Marketing Department rejected by senior management.
Bridgeport (1) Boston & Noble Avenues (2) North Park Avenue	1967	Rejected by Chairman of the Board. Insufficient market.
Stratford Lordship section	1970	Section isolated geographically. Deemed not large enough to support an office. Shakespeare Office not too far away.
West Haven Route 1	1970	Location offered to the bank was not attractive.

INTERROGATORY 34
THE FIRST NEW HAVEN NATIONAL BANK

PARTS (A) and (B)

OFFICE	(1) DATE OF APPLICATION	(2) NAME OF REGULATORY AGENCY TO WHOM SUBMITTED	(3) LOCATION OF OFFICE FOR WHICH APPROVAL WAS SOUGHT
Edgewood Park Office	August 23, 1968	Comptroller of the Currency, Wash., D. C.	105 Derby Avenue, New Haven
Howard Avenue Office	August 23, 1968	Comptroller of the Currency, Wash., D. C.	696 Howard Avenue, New Haven
East Street Office	August 23, 1968	Comptroller of the Currency, Wash., D. C.	320 East Street, New Haven
Dixwell Plaza Office	July 12, 1968	Comptroller of the Currency, Wash., D. C.	224 Dixwell Avenue, New Haven
Wallingford Branch	July 14, 1967	Comptroller of the Currency, Wash., D. C.	950 North Colony Road, Wallingford
Wallingford	July 14, 1967	Comptroller of the Currency, Wash., D. C.	In Connecticut Research Center Wallingford
Guilford Branch	August 27, 1964	Comptroller of the Currency, Wash., D. C.	Formerly at 83 Whitfield Street Now at 916 Boston Post Road, Guilford
Derby Branch	March 11, 1965	Comptroller of the Currency, Wash., D. C.	Valley Shopping Center Pershing Drive, Derby
Branford Center	July 21, 1964	Comptroller of the Currency, Wash., D. C.	Main Street, Branford
Branford Center Branch	May 14, 1965	Comptroller of the Currency, Wash., D. C.	1016 Main Street, Branford
Long Wharf Office	August 9, 1963	Comptroller of the Currency, Wash., D. C.	250 Sargent Drive, New Haven

INTERROGATORY 34 (Continued)
THE FIRST NEW HAVEN NATIONAL BANK

PARTS (A) and (B) (Continued)

OFFICE	(1) DATE OF APPLICATION	(2) NAME OF REGULATORY AGENCY TO WHOM SUBMITTED	(3) LOCATION OF OFFICE FOR WHICH APPROVAL WAS SOUGHT
Orange Branch	January 30, 1963	Comptroller of the Currency, Wash., D. C.	Firelite Shopping Center, Boston Post Road, Orange
Hamden Branch	Not Known	Comptroller of the Currency, Wash., D. C.	2305 Whitney Avenue, Hamden
Allingtown Branch	Not Known	Comptroller of the Currency, Wash., D. C.	Formerly at 188 Orange Avenue Now at 160 Orange Avenue, West Haven
Post Center Branch	Not Known	Comptroller of the Currency, Wash., D. C.	Connecticut Post Shopping Center 1201 Boston Post Road Milford
North Haven	Not Known. Would have been prior to December 1, 1964 when North Haven National Bank was issued a new Bank Charter.	Comptroller of the Currency, Wash., D. C.	Within North Haven. Precise address not known.

INTERROGATORY 34 (Continued)
THE FIRST NEW HAVEN NATIONAL BANK

PARTS (A) and (B) (Continued)

OFFICE	(4) IF APPLICATION APPROVED OR DISAPPROVED	(5) IF DENIED, REASONS	(6) WHETHER AND WHEN OFFICE OPENED FOR BUSINESS	(7) ANNUAL OPERATING PROFITS OR LOSSES
Edgewood Park Office	Approved		Opened May 14, 1971	See attached sheets
Howard Avenue Office	Approved		Opened December 1, 1969	See attached sheets
East Street Office	Approved		Opened January 9, 1970	See attached sheets
Dixwell Plaza Office	Approved		Opened August 18, 1969	See attached sheets
Wallingford Branch	Approved		Opened November 4, 1968	See attached sheets
Wallingford	Application withdrawn August 10, 1967 because of restrictive zoning denying bank branches		Not applicable	Not applicable
Guilford Branch	Approved		Opened July 26, 1965 at 83 Whitfield Street, Guilford	See attached sheets
Derby Branch	Approved		Opened May 16, 1966	See attached sheets
Branford Center	Denied, January 5, 1965	Not given	Not applicable	Not applicable
Branford Center Branch	Approved		Opened October 11, 1965	See attached sheets
Long Wharf Office	Approved		Opened October 13, 1964	See attached sheets

INTERROGATORY 34 (Continued)
THE FIRST NEW HAVEN NATIONAL BANK

PARTS (A) and (B) (Continued)

OFFICE	(4) IF APPLICATION APPROVED OR DISAPPROVED	(5) IF DENIED, REASONS	(6) WHETHER AND WHEN OFFICE OPENED FOR BUSINESS	(7) ANNUAL OPERATING PROFITS OR LOSSES
Orange Branch	Approved		Opened November 26, 1963	See attached sheets
Hamden Branch	Approved		Opened April 4, 1955	See attached sheets
Allingtown Branch	Approved		Opened October 20, 1958	See attached sheets
Post Center Branch	Approved		Opened September 14, 1959	See attached sheets
North Haven	Denied	Not known	Not applicable	Not applicable

INTERROGATORY 34 (Continued)
THE FIRST NEW HAVEN NATIONAL BANK

PART D (Continued)

(4) Applications to establish these offices were not filed because the compilation of the massive amounts of data required for the Connecticut National proposed consolidation were begun approximately in September of 1970. Management believed that the CNB consolidation carried a much higher priority at that time and hence the mini-branches were not pursued.

INTERROGATORY 34 (Continued)
THE FIRST NEW HAVEN NATIONAL BANK

PART C

Since January 1, 1960 (and before this date) The First New Haven has received many suggestions from bank customers and non-customers, composed primarily of real estate or insurance agents, brokers and businessmen regarding potential branch office sites. These inquiries have come to the bank's attention by personal conversations, telephone or letter. As a matter of courtesy and good business practice, the bank follows up all these referrals. It is rare that such suggestions eventually result in the establishment of a new branch bank of The First New Haven. Many of these inquiries are handled without benefit of written record and hence cannot be enumerated. In nearly all cases, these suggestions are not accorded intensive serious examination since they bear little relationship to the strengths and weaknesses of the First New Haven's existing branch system, but rather, are related to the inquirer's hope of selling or leasing property, realizing a commission or the like.

PART D

The First New Haven has considered other locations for potential branch sites and these are listed below:

(1) Westbrook
Old Saybrook
Old Lyme
Essex
Haddam
Middlefield

(2) The above towns were researched during the period from approximately June, 1970 to October, 1970.

(3) These towns, all on the east shore of Connecticut (except for Middlefield), were examined because this bank had no branch representation east of Guilford. All these towns were candidates for a new mini-branch concept our bank had developed. These branch units, whose construction costs were 1/5 those of a standard size branch, and whose operating costs were 1/4 those of a standard branch, were planned as all small offices whose total installation costs probably would not exceed $50,000 versus more than $200,000 for a standard size branch. We emphasize the small size of these prototype units because all the towns above are each less than 10,000 in population and we would not recommend these towns for a standard size branch -- the towns could not support a full size branch.

INTERROGATORY 34 (7)

	HAMDEN	April 4, 1955	
1955	N.A.	1963	24,983
1956	N.A.	1964	50,342
1957	N.A.	1965	56,652
1958	N.A.	1966	84,999
1959	N.A.	1967	92,712
1960	(17,873)	1968	114,453
1961	8,936	1969	148,317
1962	17,260	1970	119,292

	ALLINGTOWN	October 20, 1958	
1958	N.A.	1965	2,184
1959	N.A.	1966	3,044
1969	(6,802)	1967	4,084
1961	(5,572)	1968	16,775
1962	467	1969	29,237
1963	253	1970	20,463
1964	2,737		

	POST CENTER	September 14, 1959	
1959	N.A.	1965	6,148
1969	N.A.	1966	(30,464)
1961	(35,029)	1967	(29,226)
1962	(25,083)	1968	(41,858)
1963	5,912	1969	(36,456)
1964	13,532	1970	(54,584)

	ORANGE	November 26, 1963	
1963	(9,280)	1967	65,652
1964	(20,021)	1968	65,040
1965	31,898	1969	43,520
1966	38,447	1970	53,208

	LONG WHARF	October 13, 1964	
1964	(20,157)	1968	(48,036)
1965	(63,948)	1969	(45,334)
1966	(42,092)	1970	(32,754)
1967	(44,727)		

	BRANFORD CENTER	October 11, 1965	
1965	(8,299)	1968	(26,095)
1966	(39,080)	1969	(22,310)
1967	(22,313)	1970	(25,518)

	GUILFORD	July 26, 1965	
1965	(27,845)	1968	(38,446)
1966	(34,880)	1969	(36,466)
1967	(49,213)	1970	(30,482)

[redacted]BY		May 16, 1966	
1966	(39,321)	1969	(48,441)
1967	(68,546)	1970	(28,528)
1968	(43,977)		

WALLINGFORD		November 4, 1968	
1968	(35,077)	1970	(68,260)
1969	(116,916)		

DIXWELL AVENUE		August 18, 1969	
1969	(56,822)	1970	(97,052)

HOWARD AVENUE		December 1, 1969	
1969	(19,226)	1970	(118,027)

EAST STREET		January 9, 1970	
1970	(70,935)		

EDGEWOOD PARK		May 17, 1971	